











PARLIAMENT AND THE  
TAXPAYER



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# PARLIAMENT AND THE TAXPAYER

BY  
E. H. DAVENPORT

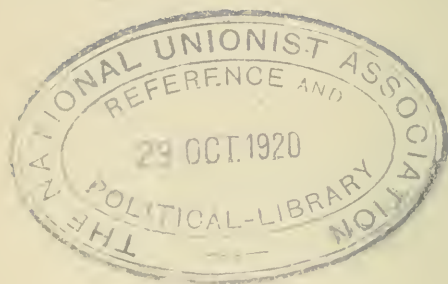
BARRISTER-AT-LAW

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WITH AN INTRODUCTION BY THE RIGHT HON.  
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CHAIRMAN OF THE SELECT COMMITTEE ON NATIONAL EXPENDITURE  
OF 1917-18

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## PREFACE

THIS opportunity is taken of acknowledging my indebtedness to Mr. W. P. Johnston, of the Public Bill Office of the House of Commons, Mr. A. S. Owen, of Keble College, Oxford, Mr. H. Wilson-Fox, M.P., and to one Oxford historian, all of whom have given me help by way of criticism, whether friendly or hostile. And particularly do I desire to express my gratitude to Sir Charles Harris, K.C.B., the Assistant Financial Secretary of the War Office, who first gave this book its inspiration and afterwards its necessary correction. I would, however, relieve him of all responsibility for any error committed of taste or fact.

E. H. DAVENPORT.

12 *King's Bench Walk,*  
*The Inner Temple.*  
*October 1918.*

## INTRODUCTION

To the ordinary man the procedure of the House of Commons on Estimates and Appropriation, the work of its Committees on Expenditure, the whole machinery of National Finance, seem distant and mysterious. But the tax-collector's demand note is not distant. The measures taken to enforce its payment are not mysterious. And there is a very close connection between the figures that appear at the foot of the demand note and the financial procedure in Parliament.

In the years before the war, the steady growth of the public expenditure gave rise to an increasing interest, on the part of the taxpayer, in the Parliamentary measures for financial control. During the war, the immense burden of the new taxes, borne cheerfully enough in the heat of patriotic enthusiasm, has led, nevertheless, to a strong and widespread demand for a more active scrutiny by the House of Commons of the purposes for which the taxes are levied and the methods by which they are spent. After the war, in more normal times, the nation,

oppressed by the heavy taxation and in a cooler mood, is likely to insist that its representatives shall exercise a control far stricter still.

It is often said, however, that the chief source of extravagant expenditure lies in the House of Commons itself; that the Government of the day, so far from being the wasteful partner of the two, is really the one that strives for economy, and when it yields, yields only under a Parliamentary pressure too strong for it to resist; that, in fact, if the taxpayer is to look for protection in the future, it is on the Executive, and not on the Legislative Assembly, that his hopes must be set. Any one who watches the course of public affairs, whether from within the House of Commons or from outside, must agree that there is some substance, at least, in this contention. It is easy to set in motion Parliamentary forces that make for expenditure, and once set in motion it is difficult to resist them. A particular interest, which will benefit by expenditure, is more eager and more active than the general body, which will benefit by frugality; just as, under systems of Protection, a group of producers who seek fiscal advantages are likely to carry the day against the general body of consumers at whose expense those favours are granted. The advocates of spending, therefore, although a minority, may often set the pace in a popular assembly. But this is far from being an invariable rule. The truth seems to be



that, as between the Government and the House, sometimes the one and sometimes the other is the more inclined to economy. At certain periods, and as regards certain matters, the Government in office may be firm in resisting Parliamentary groups who press for expenditure; at other times, or in respect to other things, the House may be less disposed to be lavish than the Government. It is this last case that is not sufficiently provided for by our present machinery. If both Government and Parliament are agreed in wishing to spend, there is obviously no force that can stop them except the electorate itself. If both are economical, expenditure is checked, and no financial question of this nature arises. If the Parliament is inclined to be lax while the Government is careful, the Constitution provides its ancient safeguard; the initiative rests with the Ministry; the House can vote no money unless the Crown, through its advisers, asks for it. But in the remaining case, no sufficient provision is made. The interest of a Minister is engaged in some scheme involving an expense, great or small. He has the ear of the Chancellor of the Exchequer. The Cabinet is content as a rule to accept a financial proposal for which the Minister concerned has secured the assent of the head of the Treasury. An Estimate, or a Money Resolution for a Bill, is presented to Parliament in due course. If the attention of members were specially drawn to it,

and its merits impartially examined, it might not command any general approval. The diffused opinion of the House may be against it. But it passes nevertheless. Parliamentary control over expenditure in such a case, is, in fact, a mere *simulacrum*. The forms are there. There is the most complete provision in theory. No money can issue without a specific vote of the House. And there have been, indeed, a few recent cases in which the House has inserted, or has modified, a limit of expenditure in the Money Resolution proposed in connection with a Bill involving cost. But these cases are very rare; even with respect to them the financial limits have been fixed without any investigation into the facts; the sum, which the Minister himself has declared in the course of debate to be the amount he really needs for the purpose in view, has usually been inserted as the outcome of the discussion. With respect to the Annual Estimates, by far the more important aspect of the question, it is many years since a single item has been altered by the House of Commons on financial grounds. So far as the direct control of expenditure is concerned, the Estimates might as well not be submitted to Parliament at all. The form in which they leave the House of Commons is invariably the same, down to the last pound of all the hundreds of millions that are voted, as the form in which they leave the Treasury for presentation to the House.

But who will say that there is never an occasion on which a reduction may be legitimate and desirable?

The causes that render futile all our elaborate financial procedure are easily perceived. In the first place, the estimates, the accounts of the Departments, and the Money Resolutions for Bills, are framed in such a form that they signify little. They do not supply sufficient information to enable any judgment to be formed as to whether the administration of old services, or the plans for new ones, are economical or not. Next, the methods of the House of Commons for examining the merits of a proposed expenditure are obviously inadequate. It is plain that an assembly of seven hundred members, with no opportunity for hearing witnesses or inspecting establishments; with no reports before it from any Committee which has had that opportunity; supplied, in fact, with no information at all except the printed figures, the answers of the Minister himself to any questions addressed to him, and, it may be, such facts as some member may chance to have gathered in his individual capacity and may communicate in the course of the discussion—it is plain that such an assembly, so furnished, cannot form any opinion of value on the hundreds of items formally presented each session for its consideration. The House of Commons is fully alive to the facts of the situation; and conscious of its ill-equipment, it rarely makes a

serious attempt to form any opinion at all on the merits of particular estimates. Lastly, if by any rare combination of circumstances an extravagance were detected, and a motion were made to reduce an estimate and were pressed to a division, the Government of the day would need only to invoke its normal majority; the question would become one, not of the reasonableness of the estimate, but of confidence in the Administration; the lobby would be filled by members, many of whom had not troubled to listen to the debate, since their vote in any case was pledged to the Government; and the motion would be defeated, with almost automatic precision, by a majority closely approximating to the known balance of party strength.

Only when all three of these fundamental defects of system are remedied will an effective Parliamentary control over finance be established. The Select Committee on National Expenditure of 1917-18 has made recommendations with respect to each. It has proposed large changes in the form of the estimates and accounts, which would render them at last a useful basis for judging administrative efficiency. It has proposed the establishment of two Standing Committees of the House of Commons on Estimates, which should be assisted by a small professional staff, to which should be referred both the Annual Estimates and, with exceptions where there is urgency, the Money Resolutions for Bills,

and whose reports should be in the hands of members before the House is asked to arrive at a decision. And it has urged that motions to reduce estimates, in accordance with recommendations of those Committees, and where no questions of policy are concerned, should be judged on their merits, and should not be held to raise an issue of general confidence in the Government of the day.

Of these three necessary reforms, the third is certainly not less important than the others. The weakness of the House of Commons in the control of finance really arises from the excess of its strength. Its powers, sovereign and irresistible, are found to be too destructive to be used. The House is flattered by the knowledge that it has only to raise its finger to overthrow the most powerful of Governments, but finds that its finger is paralysed by the fact. It does not wish to overthrow the Government. It wishes to reduce, let us say, the estimate for new buildings for Employment Exchanges from £300,000 to £200,000. But when it is led to believe that it cannot do the one without the other, the lesser issue is naturally sacrificed to the greater. No one, who supports the general policy of the Ministry in power, will vote for saving £100,000 on new Employment Exchanges if by doing so he runs the risk of turning the Government out of office; still less, perhaps, if the risk is of a General Election in which his own seat would be in peril.

In the days when death was the punishment under the criminal law for a variety of minor offences, juries would often acquit prisoners, whose guilt was obvious enough, rather than subject them to a penalty so excessive. Here is a similar case. And it is one in which an adverse verdict may not only involve the political execution of the accused persons, but of many of the members of the jury as well. It is not surprising that, whatever may be the facts and the evidence, acquittals are the invariable rule.

I have mentioned here only a few of the more conspicuous elements in the problem of financial control. The subject stretches wide and deep. It is developing in these years a literature of its own, a fact which is itself an evidence of a growing public interest. As a contributor to that literature Mr. Davenport has exceptional qualifications. He combines a wide range of historical knowledge with the experience gained in an official position which has brought him into close touch with the work of the Select Committee on National Expenditure throughout its inquiries. The earlier chapters of his book place the present movement for greater Parliamentary control in its proper historical perspective; the later chapters describe the system as it has so far evolved, and the proposals now made for its further development.

There will not, of course, be universal agreement

with all the views expressed, and the suggestions made in the pages that follow. There are points here and there from which, for my own part, I dissent. In particular, the proposals for the abolition of certain stages in the financial procedure of the House of Commons seem to me open to objection. Viewed from a purely financial standpoint, those stages may be superfluous, and wasteful of Parliamentary time. But they furnish, most of them, occasions when questions of policy and particular grievances may be discussed. Such opportunities are indispensable; and there is an advantage in their being connected with the annual procedure on finance, even if it is only as a matter of form, because that connection makes it certain that the opportunities shall not be withheld. Under the present rules, financial legislation there must be at certain dates every year, unless the machinery of Government is to stop. Private members are, therefore, assured their regular opportunities for criticism, and Ministers themselves are saved from the temptation of refusing occasions for debates which, although desirable in the public interest, may threaten inconvenience to themselves.

But whatever view be taken on points such as these, the readers of Mr. Davenport's book will find that he has furnished them with a concise survey of the rise, and the ebb, and the rise again, of Parliamentary control over expenditure through



the centuries of our Constitution, and an accurate account of the origin and nature of the efforts now being made to make that control a more effective protection of the interest of the taxpayer.

HERBERT SAMUEL.

*October 1918.*



# CONTENTS

	PAGE
PREFACE . . . . .	vi
INTRODUCTION . . . . .	vii

## CHAPTER I

PARLIAMENTARY CONTROL OF EXPENDITURE. . . . .	19
The Need for Inquiry—The Limits of the Inquiry.	

## CHAPTER II

PRE-REVOLUTION CONTROL—I . . . . .	30
Its Origin—The First Phase: Late Plantagenets—The Second Phase: The Lancastrian Experiment.	

## CHAPTER III

PRE-REVOLUTION CONTROL—II . . . . .	59
The Third Phase: The Tudor Eclipse—The Fourth Phase: Pre-Rebellion Stuarts—The Interlude of the Commonwealth —Restoration Stuarts—Conclusion.	

## CHAPTER IV

POST-REVOLUTION CONTROL . . . . .	85
The Revolution Victory—The Age of the Whig Aristocracy —The Transitional Age—The Age of Gladstone.	

## CHAPTER V

MODERN CONTROL—PARLIAMENTARY METHODS . . . . .	115
Financial Procedure—Financial Debate—The Estimates Committee.	

CHAPTER VI		PAGE
MODERN CONTROL—PARLIAMENTARY INFORMATION		144
The Quantity of Financial Information—The Quality of Financial Information—Subsidiary Information—The Public Accounts Committee.		
CHAPTER VII		
REFORM OF MODERN CONTROL . . . . .		173
The Select Committee on National Expenditure of 1917-1918—Reform of Parliamentary Procedure—Reform of Parliamentary Information.		
CHAPTER VIII		
IDEAL CONTROL . . . . .		210
Ideals—Ideal Proceedings in the House—Ideal Information—Ideal Delegation.		
BIBLIOGRAPHY . . . . .		239
APPENDIX		
TYPICAL PORTIONS OF ARMY ESTIMATES IN THE OLD AND IN THE MODEL FORM, COMPARED .		241
INDEX . . . . .		251

# PARLIAMENT AND THE TAXPAYER

## CHAPTER I

### PARLIAMENTARY CONTROL OF EXPENDITURE

#### I.—THE NEED FOR INQUIRY

THERE is one school of economists, broadly the Free Trade school, which preaches the text of their founder, Adam Smith, that "the real danger of the impoverishment of great nations lies, not in private prodigality, but in the public prodigality of the Government."

There is another school of economists, broadly the Fabian school, which as definitely preaches the opposite, that the real danger of the impoverishment of this nation lies, not in public prodigality, but in the private prodigality of individuals. The first belief is in reality an expression of dislike, and the second of partiality, for State interference. The truth, as usual, lies between the two extremes. National bankruptcy will come about by the concerted action of Government and individual spendthrift. But control of Government expenditure is

the more pressing problem, inasmuch as Government sets the pace; the more the State spends, the greater the distribution of wealth: the greater the distribution of wealth, the more the individual spends.

How pressing the problem is, the taxpayer has hardly grasped. He will read without discomfort that the war expenditure each day is now seven and a half million pounds, for not being given to think in millions he is not appalled by them. He will learn that the annual addition to the National Debt is about one thousand eight hundred and sixty-three million pounds, but he will not ponder what it means to him or his children, and will be rather proud to hear that it beats the addition to the National Debt during all the years of the Napoleonic wars by one thousand two hundred and forty-one million pounds. It is hard for him to realise how easily the millions flow, what little control there is, what real control there might be. At every corner of a spending Government Department there exist opportunities for wasteful expenditure of which no Comptroller and Auditor General can speak, which no Treasury can see, of which no House of Commons can hear. It was a happy hour for the taxpayer when the Select Committee on National Expenditure was set up in July 1917. The Committee's methods were direct: it summoned witnesses, called for papers, inspected establishments. One of its sub-committees traversed Great Britain and France.

Its discoveries were great and its almost monthly reports, with their limelight on the far corners of departmental extravagance, are sufficient evidence how pressing the problem is of controlling Government expenditure.

Unhappily the taxpayer rarely has the problem presented to him in an intelligible shape. There are two kinds of financial control—control by the legislature and control by the executive. Control of expenditure by the executive is exercised, externally through the Treasury under the authority of the Chancellor of the Exchequer, internally through the finance branches in the large spending departments, and generally through a mass of departmental financial customs and principles which are popularly known as Red Tape. It is a form of financial control peculiar to the English Constitution, and its effectiveness depends upon how far the Treasury has forgotten its descent from the Norman Exchequer and has adapted itself to modern conditions. It resolves itself into an entanglement of administrative machinery which has often been dissected by professors and called "The Financial System of Great Britain,"<sup>1</sup> but has not yet been

<sup>1</sup> For a comprehensive and suggestive survey Mr. Hilton Young's *The System of National Finance* and *The System of Financial Administration of Great Britain*, by three American professors—Willoughby, Willoughby, and Lindsay,—are invaluable; and for a formal codification of departmental laws and customs *The Principles and Practice of*

demolished by the politician. It is only mentioned here by way of definition.

Now control over expenditure by the legislature comprises several operations: first, the granting by the House of Commons of the money estimated by the Executive or Cabinet as necessary to maintain its government and to carry out its policy, together with the appropriation of those grants to specific purposes; secondly, the criticism by the House of Commons in debate of the manner in which the grants are spent; and thirdly, the auditing of the accounts by a Parliamentary officer—the Comptroller and Auditor General—and their further examination by a Parliamentary Committee—the Public Accounts Committee.

The taxpayer looks to the Legislature rather than to the Executive for help, and rightly fixes on the House of Commons the theoretical duty of checking the pace of Government expenditure. The man in the street will not understand that the Treasury can be the safeguard of his pocket: nor is there any reason for him to be comforted with the thought even if he had it. But the House of Commons he knows. He has visited it, as it looks imposing, but the Treasury, as it is not striking in exterior, he has never noticed. The House of Commons contains

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*the System of Control over Parliamentary Grants*, by Colonel Durell, of the War Office, is unique.

the man or party he voted for, and from whom he expects his country's salvation; but the Treasury contains civil servants from whom he has never expected anything. The House of Commons has a history that he has read at school; but the Treasury has a longer history that he has never heard of. He recollects that the House of Commons secured his civil liberties and fought with kings over money, and with lords over money; but the light of the Treasury has been hidden from his eyes by the bushel of Government secrecy. Naturally, he looks to the House of Commons for criticism of the Government's expenditure as of its policy. Nor is his instinct wrong, for the control of the House of Commons is both financially and constitutionally all-important.

In the first place, the House of Commons sets the tone not only of Government policy, but of departmental expenditure. "It has been said," the National Expenditure Committee reported, "expenditure depends upon policy. This is a dangerous half-truth. The policy may be quite sound, but the administration by which it is carried out may be inefficient and extravagant to any degree." And it is the House of Commons that sets the tone in the administrative departments. Economy will never be practised unless the officials, who have the actual or immediate direction of work and the spending of money, have an earnest desire to carry

out their charge efficiently with a minimum of expense, and that responsibility can never be brought home to the official unless he knows that the House of Commons is watching his expenditure and will fulminate with all its authority against waste. That does not imply any interference by the House of Commons in administration. The business of Parliament remains to control policy, its business with administration to judge and appraise after the event.

In the second place, the methods of the House of Commons are public and it is essential to give publicity to the national problem of financial control. The electorate must be kept informed of the merit of the Executive's expenditure. Theoretically the electorate should set the tone of the House of Commons, but in the science of finance it still awaits education, and as the ways of the Treasury and the finance branches of Government Departments are dark, it is only the House of Commons, whose control is public, that can teach it. And it should teach it quickly. The more the average taxpayer knows about control of expenditure the better control of expenditure will be. That is the second reason why Parliamentary control is all-important.

At the same time the Member of Parliament knows that as the guardian of his constituent's purse his hands are tied. He knows that, if ever the



English Constitution existed, it is now in suspense, and the privileges and powers of the House of Commons have given way to the privileges and powers of the War Cabinet. The position of the Prime Minister seems to be approaching the position of an American President; the notions of ministerial responsibility are becoming queerly strained. The question of financial control, then, has for the Member of Parliament the greater significance of being also a political question. He may rest assured that if ever the House of Commons is to restore the balance of the Constitution and recover its former authority, it must assert its control of the people's purse. By no other means can it recover its *status quo*. In the remote past, Parliamentary control of revenue was the deciding factor in the struggle with kings; it is probable that Parliamentary control of expenditure will be the deciding factor in the struggle with the last depository of the monarchical power, whether it be Prime Minister or Cabinet.

Financial control by the Legislature is, therefore, more important, from the taxpayer's or politician's point of view, than financial control by the Executive. Yet it has been separately and succinctly treated neither by historian nor political scientist. The historian has written of the Exchequer from its Anglo-Saxon or Norman origin to its development or decline into the present day Treasury, but that

is executive control; and he has written of Parliament, but primarily from the point of view of Parliamentary control of taxation. The political scientist has expounded the financial system as a whole or as dissected from the point of view of the Executive, but has not dissected it separately from the point of view of the House of Commons. It is this gap in historical or financial literature which might well be filled, seeing how urgent the problem of financial control has become. The present essay, being brief, does not claim to fill the gap adequately, but may rightly claim to touch upon a matter of popular interest.

## II.—THE LIMITS OF THE INQUIRY

The scope of Parliamentary control, even as distinct from Treasury control, of expenditure is vast, and a narrow limit must be set to any brief inquiry.

Political science, in the first place, shall be avoided. As a mental exercise it is rarely profitable, and it is only necessary here to show how it comes in, so that it can be kept out. The control of Parliament over public expenditure is the root of the supposed English Constitution. It is a platitude in English Constitutional history that great principles have been fortuitously evolved from petty grievances. What Milton's *Areopagitica* failed to do for the freedom of the Press was done unconsciously by a

few book-sellers or book-lovers in the House of Commons when they abolished the Licensing Act because their books became mildewed at the Custom House. Likewise the liberties of the British people were mainly evolved from the matters touching the people's purse. It is not to be imagined that mediæval monarchs summoned representatives of their people to a common Parliament for the ideal sake of representative or constitutional government. They summoned them because it was obviously easier to collect the money of shires and towns in one assembly in one place, than to ride round the kingdom to collect it from a hundred assemblies in a hundred remote places. And the representatives, who looked upon attendance as a burden for which they received daily wages from their town or county "constituency," found it less dangerous to protect their pockets by devising elaborate principles of procedure than by openly taking up the royal challenge of "Your money or your life." By these methods our liberties were enunciated. The whole law of the British Constitution is, indeed, grounded upon the fundamental principle of Parliamentary grant of supplies and control of expenditure. The exercise of these prerogatives at the present time raises, therefore, the main problem of political science—the relation of the Executive to the Legislature. On this controversy it is not intended to embark.

In the second place, Parliamentary financial control implies two separate functions—control over revenue and control over expenditure; and the former will likewise be avoided. Historically, control over revenue is the struggle of Parliament against Crown, and at a later stage of Commons against Lords, for the right to take the people's money by taxation, in which on the one side Charles I and Lord Lansdowne, and on the other side Cromwell and Mr. Asquith, have figured popularly as the heroes or villains according to the historian's politics. It is a struggle treated fully in every History of England, and nothing more on it could appropriately be said. Administratively, as distinct from historically, control over revenue covers first, the determination by the House of Commons of the sources from which, and the conditions under which, the national revenues are to be raised; secondly, the collection of the taxes; thirdly, the custody of the revenue and the keeping of accounts. This, as the financial machinery of Government, has received full and comprehensive treatment by writers on the constitution.

Parliamentary control over *revenue*, whether in its historical or administrative aspect, will not therefore be mentioned, except by way of reference.

The design here is to show briefly, first, what was the nature of the early attempts of Parliament at control of *expenditure*; secondly, how and why its

present attempts are ineffectual; thirdly, what reforms have been initiated by the Select Committee on National Expenditure; and fourthly, how they may be developed into the ideal.

It need hardly be said that the purpose of Parliamentary control of expenditure is taken to be economy and efficiency in administration: it is not, and never should be, taken to be parsimony.

## CHAPTER II

### PRE-REVOLUTION CONTROL—I

#### I.—ITS ORIGIN

IT is a common but complete error to suppose that Parliamentary control of expenditure, that is, of the spending of Parliamentary grants, began only with the Revolution of 1688. Lord Welby gave, as it were, official sanction to the supposition in a memorandum which he handed to the Select Committee on National Expenditure of 1902. "Parliament under the Tudors and Stuarts," he said, "exercised no control over the ordinary expenditure of the Crown, but from early times it sought occasionally to appropriate extraordinary grants to the service for which they were required. . . . It will be seen that the control of Parliament over public expenditure began with the Revolution." This opinion has been reaffirmed by the latest writers on the English financial system, who were not, generally speaking, historians. But as a matter of historical accuracy, Parliamentary control over expenditure was attempted as soon as Parliament had emerged, and was at its liveliest, with alterna-

tions, in centuries long before the Revolution. It is safe to say that after the Revolution it lost force and declined, and that, though it was revived in the nineteenth century, it was finally led astray by Gladstone.

There is this characteristic to emphasise of pre-Revolution control: it was always bound up with Parliamentary attempts at controlling the Executive, for the Executive was not theoretically dependent on the Legislature until the Revolution of 1688. In theory, Parliament cannot control expenditure in the same sense that it controls taxation. It actually controls taxation inasmuch as it has become the sole authority which can legally take the people's money, and it never delegates that authority even in points of detail. But it cannot control expenditure in detail. Even when the Executive is not a King independent of Parliament but a Cabinet dependent upon Parliament, the House of Commons must always hand over the money raised by taxation, and can do no more than direct the course of the expenditure. That distinction was not always appreciated in the centuries before the Revolution. In the fourteenth century, financial control—which includes control over taxation, as well as over expenditure—was regarded by Parliament rather as a means to an end than an end in itself. It was a means of interfering with or controlling an executive power which was independent of the Legislature:

and in the fifteenth century Parliament went further, and attempted to exercise such absolute control over the Executive as to take away all its discretionary power.

In other words, control of expenditure was linked up with the general constitutional struggle of Parliament to control the Crown. Parliament in the fourteenth and fifteenth centuries imitated the practices of Simon de Montfort's barons in the thirteenth century, who had attempted to take out of royal hands the power of expending public money. Just as the barons had appointed on some occasions special officers for the collection and custody of special grants, and had withdrawn, on other occasions, the audit of accounts from the Exchequer lest it should be tampered with by the King: so the new national Parliament sometimes ordained that the extraordinary taxes should be paid to two particular persons of their own nomination and be expended by them on the particular war for which they were granted; and at other times dictated to the King the officers of his household. Although in mediæval politics the executive power resided in the King absolutely, Parliament in the fourteenth century followed what had been the baronial example in the thirteenth, of using control of expenditure as a means for interfering in purely executive or governmental work.

It is important to fix the starting-point. Before



Parliament was—that is, before the end of the thirteenth century, and indeed for a long time after—it should be borne in mind that the King's revenue was his own. The King, in those days, was the "Government," and every office of State was combined in his person. He was supposed "to live of his own." He had his own demesne lands, with consequent claims to escheats, forfeitures, and tallages from his tenants. He had the proceeds of his feudal rights—scutages, aids, reliefs, wardships, marriages; he made considerable profits out of the Church and his Courts of Justice; he could sell pardons, privileges, offices, jurisdictions, markets; gradually—in post-Norman days—he was allowed certain customs duties as of right. But this revenue was never sufficient to meet the royal expenses, and in time of war it was totally inadequate. Direct taxes had, therefore, to be imposed on the people, as distinct from the few indirect taxes, which were the customs duties. At first there had been a tax on land—a revival of the Anglo-Saxon "Danegeld" under the name of "Carucage"—a tax on the carucate or plough-land. Then, under Henry II, there had been a tax on movables. The idea emerged that such direct taxes could not be imposed without the consent of a common council of the realm. Edward I had to promise in 1297 that he would take no aids—which were originally aids from his tenants when he was in need of money—

except on the common consent of the realm, save the ancient aids (knighting an eldest son, marrying an eldest daughter, or redeeming the King's body from captivity). Towards the end of the thirteenth century the common council developed into a Parliament of three estates, and began to sit, in the reign of Edward II, separately in two Houses. Parliamentary control over expenditure had thereby become practical politics, not only because Parliament existed, but because the King was spending money that did not belong to him personally. It began, in fact, to be claimed, when the King had to apply to Parliament for an extraordinary grant to meet the deficiency on his own revenue. During the Hundred Years' War such applications to Parliament were frequent, and this was the great opportunity that Parliament seized.

And because finance was bound up with the constitutional struggle between Parliament and King, the fluctuations in that struggle necessarily decided the degree of Parliamentary control of expenditure. It was strong when the Executive was weak, as under the Lancastrians, and weak when the Executive was strong, as under the Tudors. At the one time Parliament was enunciating its pretensions, at the other it was excusing the King from paying his own debts. But control of expenditure, as distinct from control of taxation, was never ignored or overlooked. It has four distinct phases before the Revolution of 1688.

In the first, which covers the period of the later Plantagenets, the origins of Parliamentary control of expenditure are traceable, not as a principle—for there was as yet no clear *Parliamentary* idea of controlling the executive power vested in the Crown until Richard II had made it irresponsible and unpopular—but in certain practices which later became part of the principle. In the second phase, which covers the period of the Lancastrians, when the executive power was largely taken out of the hands of the Crown, Parliamentary control of expenditure was being prematurely tried and tested. In the third phase, it was suddenly eclipsed by the dominance of the royal power under the Tudors. In the fourth, it was emerging, somewhat obscurely, from the struggles with the Stuarts, at first put aside in the fight with Charles I, which was mainly for control of taxation, then merged in the opposition to Charles II, which was mainly Parliamentary. The first struggle with the Stuarts ended in Civil War and Commonwealth, the second in a constitutional revolution—the dependence of the Executive on the Legislature. Thereby the main incentive of pre-Revolution Parliaments to control expenditure—the need for a check upon the King's power—was gone; and post-Revolution Parliaments did not fully realise the new incentive—the need for economy and efficiency in administration—until long after the death of Gladstone.

## II.—THE FIRST PHASE: LATE PLANTAGENETS

The historical environment of the first phase is important. The period of the later Plantagenets—"the age of the Commons"—was altogether propitious to Parliamentary claims. Edward I had prepared the way by putting himself on the side of the growing national spirit. Moreover, by following the principle, by no means obvious, that what touches all should be approved by all, he had called Parliament into life in order to obtain its money. Edward II had obtained his fair share, but as he did not keep an extravagant household—with the possible exception of his wife—Parliament could make no complaint on the score of finance. The extravagance of Edward II was by way of wholesale grants of lands and titles. The opportunity of the Commons came when Edward III turned the new national spirit into the Hundred Years' War with France. The war required supplies of an unheard-of amount; and the extra-ordinary grants or subsidies, which Edward III asked Parliament to vote, became the mainstay of public finance. Control over the granting of these supplies brought Parliament constitutionally into a strong position, and thereby enabled it to put forward its claims to some control over the expending of the grants. Further, what concessions Edward III had permitted

because he wanted money for the war with France, were extended under Richard II because he was unable to resist. The sins of the grandfather were visited on the unfortunate grandson. Not only did Richard II inherit a financial crisis from his grandfather's war policy, but he inherited a band of powerful and unruly uncles from his grandfather's peerage policy. Edward III had married his sons to the heiresses of the great baronial houses, which had been amalgamated by an unhygienic system of breeding in, in the hope of securing their interests : instead, he had degraded the Crown and made the peerage a dangerous rival. Richard II from his accession had, therefore, to put up a fight against these overmighty subjects, but ruined his chances by proclaiming himself, as Sovereign, to be above all law and responsibility. The Commons exploited his difficulties, and enunciated their claims to authority more boldly, as Richard II enunciated his claims to absolutism more unwisely. The foundations of Parliamentary control of expenditure were definitely laid before the last Plantagenet was deposed as an embryo tyrant by a Parliament determined to exercise some control over the Executive. The precedents that Richard II vainly denied were never afterwards forgotten.

It is probable that in the mind of Parliament the sequence of ideas upon financial control was, first, appropriation of grants, secondly, audit of accounts,

thirdly, criticism of the merit of expenditure. At any rate, in this first phase there is sufficient historical evidence to prove that the Commons had grasped the primary elements of Parliamentary control: the directing beforehand of the objects, and the examining afterwards of the results, of the Executive's expenditure, in other words, appropriation and audit; and there is some ground for believing that they were not slow to criticise, though not in any scientific sense, the merit of expenditure. But it must be remembered that there was no control of any expenditure but that of the extraordinary grants. The King could spend his ordinary revenue as he pleased. Nor was financial control regarded by Parliament in any other sense than as a method of controlling the royal executive power.

Under Edward III the idea of appropriation definitely took shape, however rudimentary, and to a lesser degree the idea of Parliamentary audit of accounts. Parliament began with the principle, clearly stated in the New Ordinances of 1311, that "the issues and profits of the customs, together with all other issues and profits of the realm . . . shall come entirely to the King's exchequer . . . to maintain the household of the King and otherwise to his profit, so that the King may live of his own without taking prises other than those anciently due and accustomed." If the King could not live

“of his own” because of war expenses, an extraordinary grant was voted and appropriated to the war and to no other expense of government. Thus, in 1340, the first clear record of Parliamentary appropriation, though not necessarily the first occasion, there was a grant of a subsidy to Edward III “in aid of the good keeping of this realm, as well against the parts of Scotland as against the parts of France, Gascony and elsewhere.” Again the subsidy in 1344 for two years was granted for the French War “so that the money be dispended in the business showed to them in this parliament . . . and that the aids beyond Trent be put in defence of the North.” Another grant, in 1348, was voted expressly on condition that it be “assigned and kept solely for the war of our lord and king and in no manner for the payment of former debts . . . and also in case of war with Scotland, that the aid granted north of the Trent be turned to the conduct of the war and in defence of that part of the country, as before this time has been done.” This was the case with a fourth grant in 1353. Appropriation, in fact, of extra-ordinary grants seems to have been the normal procedure. And with the record of the appropriation in 1340 there is record also of an attempt at Parliamentary audit of accounts, for a Commission of Lords and Commons was appointed to examine and audit the receipts and payments of William de la Pole, the Bardi and Peruzzi and



others, who had acted as the King's agents. Further, in 1341, "the great men and Commons pray that certain persons be deputed by Commission to audit the accounts of all those who have received the wool of our said lord or other aids granted to him; and also of those who have received and paid out his money." As it was Edward III's pleasure "that it be done . . . as it was heretofore ordained," it is clear that this was not the beginning. Other Commissioners of Accounts were appointed in following years, but nothing seems to have come of their labours, and in 1376 the Good Parliament was again demanding an audit of accounts and treasurers to secure the proper expenditure of the subsidy.

The royal expenditure was so far uncontrolled in that the accounts show no signs that it had been kept within the total limits of the royal revenue. For the twenty-eight years between 1339 and 1367 the average annual revenue (excluding loans) is found to be about £122,280, divided up as follows: Old Crown Revenues, £30,000; Grants from Parliament and Convocation, £30,600; Customs, £48,000; Windfalls (chiefly ransoms of French prisoners), £14,280—and the average annual expenditure was generally much higher. An analysis of the financial year, 1st October 1369 to 22nd September 1370, made by Sir James Ramsay, will show how the money went:



	£	s.	d.
Household . . . . .	17,105	17	11
Privy Purse (Chamber). . . . .	8,566	5	0
Civil Service . . . . .	4,371	14	10
Buildings and Works . . . . .	2,373	13	11
Naval and Military (including fortifications of Calais) . . . . .	87,866	19	11½
Pensions and Gifts . . . . .	17,230	13	10
Loans repaid . . . . .	12,249	4	10½
"Præstita," Advances (to be repaid) . . . . .	1,874	3	1
Queen Philippa's Debts . . . . .	1,385	11	1
Hugh de Chatillon, prisoner bought . . . . .	4,610	0	0
Lions and Leopards at the Tower . . . . .	74	16	10
Sundries . . . . .	1,552	11	10½
	<hr/>		
	1	£149,261	13 2½

The sundries include the price paid for the purchase of land bought for the King's use at Greenwich and Bermondsey. The money spent on buildings was laid out at Westminster, Eltham, Sheen, Queenborough, Leeds and Rochester. It will be seen that nearly two-thirds of the total were war expenditure—naval and military. It was for this large head of expenditure that Parliament voted its extra-ordinary grants, and its attempt to secure some control of them was for practical purposes a real attempt of Parliament to control the national expenditure.

Under Richard II Parliamentary ideas of financial control became much more emphatic. In the first

<sup>1</sup> In pre-war days it was usual to multiply by twelve to arrive at a rough estimate of the modern value of the money.

year of the reign, a year of regency, the Commons plainly showed that they had learnt their lesson. They determined to secure complete control, through appropriation and audit, of their war grants by stipulating that the money should be paid to, and expended by, Parliamentary Commissioners. They had demanded in 1377 precisely that "certain suitable persons shall be appointed by the King to be treasurers or guardians to such effect that these moneys shall be entirely applied to the expenses of the war and to nothing else in any way," in much the same way as they had proclaimed on another occasion what ladies they considered unsuitable at Court. In 1388 they "make request *once more* to our lord the King that it may please him to communicate how and in what manner were expended the said great sums. . . ." Richard allowed it "on this agreement, that this shall not in future be considered a precedent or an inference that this should have been done otherwise than by the personal volition and command alone of our said lord the King." But Richard had seen the temper of Parliament, and in 1379 he ordered the accounts to be submitted before they were demanded, although he had assured the Commons that "it had never been known that an account . . . had afterwards been rendered to the Commons or to any one else except to the King and his officers." It was a great victory for Parliament, and the Commons saw to it that it was maintained. Before

each grant was voted they carefully defined its appropriation. For instance, of the Poll Tax in 1380 they said: "It is not the intention of the said Commons to make this present grant for anything except only the sustenance of the Earl of Buckingham and the other lords and men in his company in parts of Brittany and for the defence of the realm and safeguard of the sea." And to each Parliament following upon such grants the treasurers of the subsidies accounted for both receipts and issues. The reality of the Parliamentary victory may be seen in the impeachment of Suffolk in 1386, among other things for misappropriation: "Whereas the tax was granted by the Commons at the last parliament to be expended in a certain manner . . . the moneys arising therefrom were expended in another manner."

The revenue and expenditure accounts of Richard II's reign do, in fact, show that his Commons had developed, by more rigid appropriation and Parliamentary audit of accounts, a real control of the expending of extra-ordinary grants. Though the refinement of balancing the accounts did not appear till the reign of Henry IV, yet a substantial balance was maintained between revenue and expenditure. The average annual revenue was about £140,000, for £80,893 of which Richard II was dependent on Parliament—£33,323 direct taxation; £47,370 Customs; £59,107 Old Crown revenues. The two

great heads of expenditure were those of the royal household and military works—garrisons and fortifications. In the year 1397–98 £40,000 was spent on the household, besides “Pensions and Gifts” for about £16,000, and in the year 1388–89, £63,094 4s. 6½*d.* on military works at Calais, Berwick, Carlisle, Roxburgh, Brest, Cherbourg and elsewhere. Building was often a heavy item: there was £10,000 accounted for in 1397–98 for works at Westminster Hall and the Tower; and towards the close of the reign Richard started a menagerie of lions and leopards at the Tower for the benefit of Londoners, which cost about £326 16s. a year. There was generally an attempt to make issues tally with receipts. Thus, on the 5th of April, 1378, there is record of a war account “per W. Walworth and J. Philippot,” £55,484 13s. 3*d.*; of this sum £26,680 met the wages of 1350 men-at-arms and as many archers employed for “a quarter and a half” in operations on the coast of France; £10,000 to £11,000 is accounted for by Brest, Calais, Gascony and Ireland; the wages of seamen make up the rest. There were, indeed, occasions when money was wrongly diverted into the King’s household—as, for instance, £1333 6s. 8*d.* in 1378—but the occasions were rare; and on the other hand the Commons had very properly laid it down in 1378 that “if it should so happen that any lord or any other person engaged for the last expedition . . . had a smaller number of

men to his credit than he had engaged to have with him, and had received wages and money of the King, that surplus money over and above the wages of the men shown should be repaid to our said lord the King, to be used for the war, in discharge therefor of the Commons aforesaid." £37,000 was in fact repaid into the Exchequer in 1380 as surplus of wages estimated for and drawn in previous terms but not expended. That, in the fourteenth century, showed remarkable control.

Moreover, there were signs that the Commons were beginning to criticise the merit of expenditure. In 1380 it was to be shown "clearly" what expenditure there was at Calais, Cherbourg, Brest, in the marches of Scotland, in Ireland. The treasurers in 1379 were to call witnesses, to inquire into official salaries, the expenses of the royal household, and the rest, like any modern Select Committee on Expenditure. Throughout the reign Parliament had complained of the extravagance of the King's household. Criticism of the merit of expenditure was in fact bound to come, seeing that Parliament always distrusted the royal power and finally made a stand against royal absolutism. The household expenditure increased by reason of the King's unconstitutional bodyguard, and pensions increased by reason of largesses to the "Fellowship of the White Hart," the personal faction on which Richard hoped to base his power. Parliamentary criticism of the merit of

expenditure was bound to follow Parliamentary control of an unpopular and irresponsible Executive.

It was fortunate that no King of the race of Plantagenet ever attempted to make his expenditure tally with his ordinary income. Parliamentary control of all expenditure grew out of control over these extraordinary grants, and under the later Plantagenets the foundations were firmly laid by the principles of appropriation of grants and audit of accounts. The Commons had realised, what the Younger Pitt in his time failed to realise, that it was useless to have an audit unless the accounts were submitted to, and examined by, Parliament.

### III.—THE SECOND PHASE: THE LANCASTRIAN EXPERIMENT

In the Lancastrian [period—1399 to 1460—the Parliamentary system of government was prematurely tried in practice before it was fully appreciated in theory. It was the great experiment in constitutionalism. Henry IV was a constitutionalist by necessity. He came to the throne elected by Parliament and pledged to constitutionalism as the deliverer from the unconstitutionality of Richard II. Moreover, he had inherited all the disorders and impoverishment of Richard's reign. The Paston Letters show that the law was rarely kept and the Rolls of Parliament show that the Treasury was always low. Without Parliamentary money

Henry could meet none of his expenses, and without Parliamentary support he could not withstand his unruly barons. He chose, therefore, the constitutional government of an Executive dependent on, rather than a strong monarchical government independent of, the Legislature. All might have been well if Parliament had played the game. But while the barons tried to reduce the Crown by rebellion, the Commons actually did reduce the Crown by continually insisting on the ancient doctrine that the Crown should "live of its own." There would almost seem to be proof of collusion between Commons and Lords for the sake of anarchy. The Crown had no chance of governing well without sufficient funds for governing at all. Anarchy was not long in coming. There was an interlude when Henry V succeeded in diverting Parliament and himself into the side-track of victories and annexations in France, but anarchy came under the unhappy Henry VI in the Wars of the Roses. Henry VI had no idea of government at all, and moreover went periodically mad. Before he was twelve years old the annual regular expenditure had become more than five times the hereditary income of the King, and nearly four years of this expenditure were in arrear. The conquests of Henry V were lost, the Crown was bankrupt, the Ministers unpopular. When the Wars of the Roses began in 1455 constitutional and financial history ceased. In Bishop



Stubbs's phrase : " Constitutional progress had out-run administrative order."

In the confusions of this period, Parliament, having the upper hand, was able to hasten the evolution of its powers and privileges. Naturally it hastened the evolution of its financial control. Not only did it secure recognition from Henry IV of the right of the Commons to originate money grants—that is, complete control over taxation—but it developed a remarkable degree of control over expenditure. The theory of control was advanced far beyond the somewhat rudimentary notions of the late Plantagenet period.

In the first place, Parliament seems actually to have realised that there could be no effective control of expenditure which did not extend beyond the expenditure of the extra-ordinary grants voted to meet extra-ordinary occasions. It did, in fact, attempt to exercise some control over the expenditure of the King's ordinary revenue as well as over that of the revenue derived from Parliamentary taxation. For that purpose it made a distinction between the personal expenditure of the King and the national expenditure of his Government, and its tendency was to harden that distinction at the expense of the King's personal expenditure. The distinction was not so much between *revenues*, as is usually supposed, as between *expenditures*. The King could no longer refute the Commons' claims



with the argument that his revenue was entirely his own to *spend* as he pleased. It was no longer his own, if it were spent on national services—services not peculiar to his personal household. The importance of this distinction cannot be overestimated, seeing that without it Parliamentary control of expenditure was neither a right nor a duty, but a presumption.

The distinction was of gradual growth. In the fourteenth century the whole accounts of army, navy and judicial establishments had appeared, together with the expenses of the royal table, jewel chests, and nursery, in the computus of the wardrobe. It was in the fifteenth century that naval, military and administrative expenditure began to be shown under separate headings. Thereby, the national charges were more clearly defined. Moreover, the personal charges of the King were more clearly defined at the same time. In 1404 a sum of £12,100 was set apart from the ordinary revenue of the Crown to be devoted exclusively to the administration of the household. And when, in 1406, the Commons forced Henry IV to accept only £10,000 for the household, and moreover put up Sir Arnold Savage, a stern economist, as its Controller, they secured some control even of the expenditure on the King's personal services. Sir John Fortescue, writing in 1471 out of his experience and training in administration under the

Lancastrians, made a clear distinction between the King's ordinary charges (or King's list) and his extra-ordinary charges. "The ordenarie charges," says Fortescue in *The Governance of England*, "be thies; the kynges householde, his wardrobe. . . . The secounde ordenairie charge is the payment off the wages and ffees off the kynges grete officers, his courtes and his counsell. . . . þe thirde charge is the payment of the kepyng of the marches . . . the iiijth charge is the kepyng of Caleis. . . . þe vth charge is ffor the kynges werkes." These he calls the King's list. He does not include therein the expenses of the Navy, as they are not "estimable and the kyng hath therefore þe subsidie off pondage and tonnage." The extra-ordinary charges—"so casuelle þat no man mey knowe hem in certaynte"—are, in his enumeration, the maintenance and reception of embassies, the rewarding of old servants, the provision for royal buildings, for the stock of jewels and plate, for special commissions of judges, for royal progresses, and the resistance of sudden invasion. The argument of Fortescue is, that the ordinary revenue may suffice for the *household* but that the King is a public servant, his estate an office of administration, and that he should have for the extra-ordinary charges a revenue as settled as his ordinary revenue and not less than twice that of one of his great lords.

Clearer distinction could be made between the

personal expenditure of the King and the national expenditure of his Government, but for the fifteenth century that was remarkable. The principle is recognised : the details only want attention. What is significant is that Fortescue, as a royal partisan, was stating a very partial case in favour of the Yorkists; he was arguing for a fixed, inalienable revenue to be settled on the Crown. Yet he did not attack the tendency of Lancastrian Parliaments to regard every expenditure as national, and therefore subject to control. Thereafter, it took centuries to develop the idea, but until it was completed, Parliamentary control of expenditure was also incomplete.

In the second place, the theory of Parliamentary appropriation and audit was advanced. In other words, financial control was facilitated by better organisation in the details of the public financial system. Appropriation, for instance, became practically appropriation of sources of *revenue*. There was not only appropriation of the occasional extraordinary grants (direct taxation), but the practice grew up of appropriating the regular customs duties (indirect taxation) to particular services for expenditure. Thus, while the greater grants were invariably assigned for the defence of the realm, that is, for war purposes ("The poor commons," by assent of the Lords, usually grant tenths or fifteenths of personalty for "the defence of the realm," repeated,

with obvious reluctance, even into the period of the Yorkists), tonnage and poundage became the recognised provision for the safeguard of the sea. The misappropriation of that revenue to other services than the Navy was one of the items of complaint in the manifesto published by Robin of Redesdale in his rebellion against Edward IV in 1469. Or again, a certain portion or poundage of the subsidy on wool is regularly appropriated to Calais, even before it became the only foreign possession of the Crown. Thus, in 1449 the Commons prayed that 20s. from each sack of wool taxed for the subsidy might be assigned to Calais and further appropriated to the following sub-heads: 10s. for wages, 5s. for victualling, 5s. for repairs. Or again, there is regular appropriation of the remnants of the ancient Crown lands to the expenses of the household, for which they were clearly insufficient.

The details of Parliamentary audit were likewise made more exact. It was one of the first ministerial announcements under Henry IV that grants made in Parliament should be administered by treasurers ordained in Parliament. This did not necessarily imply audit, and the battle was fought over again between Commons and King in 1406. Two years previously the Lord Furnival and Sir John Pelham had been appointed treasurers for the war, and the Commons now demanded that their accounts should be audited and laid before Parliament. Ministers

replied that they did not know how : Henry IV that Kings were not accountants. But the Commons won, because the King wanted the supplies they were withholding, and they appointed auditors on the last day of the session. In the next year the accounts were submitted to Parliament, without even being asked for. The principle of audit control was not again formally contested by the Lancastrians. It was thenceforward regarded as a corollary to appropriation of supplies.

It is clear that the theory of financial control had been greatly elaborated. The Lancastrian system was not only an advance, but had advanced too far. It erred on the side of rigidity. The precise appropriation of particular sources of revenue to particular services was certainly better than the practice of allowing the King to spend the national revenue as he willed ; but it made it possible for particular services to be starved altogether, when the particular sources of revenue dwindled. The system of financial control was, in fact, in advance of the times. Parliament merely abused it to starve the administration, to force the King to " live of his own."

The case of Henry IV was most unhappy. It was a time of financial straits, and the reign opened with wars and rebellions and everywhere a cry for money. In spite of his private possessions Henry of Lancaster did not inherit so large a revenue as Richard II, and he inherited, moreover, Richard's

expensive household administration. In the fourth year of his reign, the expenses of the Wardrobe, Great Wardrobe, Private Wardrobe, and Chamber amounted to £58,010—out of a total expenditure of £135,300—and the King's ordinary revenue was only about £34,000. Yet Parliament was pleased to insist that the King should "live of his own." It formally requested that he should do so in 1404 by the resumption of all grants and annuities given since 1367. Henry wisely acquiesced on that occasion, but referred it to a commission of lords to ascertain how it could be done.

The Commons' request was, in fact, impossible, and supplementary grants had to be made. These amounted to about £86,000 a year, but were uncertain, and never made up the deficiency of the ordinary revenue on the total annual expenditure. The Commons made full profit of the occasion. They chose, as Speaker, one Sir Arnold Savage, who, like many economists in Parliament, was painful to listen to and interminable. Sir Arnold used to lecture the King on constitutionalism and economy before ever a subsidy was granted. And the Commons had some justification. Henry was not good at administration. He might have economised on his household. An item—1000 ostrich plumes at 8*d.* each—in the household accounts would not have gratified the Commons, and he was obliged in 1401 to revoke an assignment of pensions which he had charged on

the subsidy of wool. His negligence in naval matters led to the Commons making over the guarding of the sea for a short time to a body of merchants, to whom they paid tonnage and poundage and a quarter of the wool duties. Again, in 1406 Sir Arnold Savage, in the plainest of language, was maintaining that the King was defrauded by the collectors of taxes; that the defence of Calais and of Ireland were extravagantly costly, yet ineffective; that the King's household was less honourable and more expensive than it had ever been. Nevertheless, the rigid and unreasonable control that Parliament exercised, even if it saved the people from taxation, was not calculated to promote efficiency in administration. Henry IV was not wholly to blame, seeing that the faithful Commons deliberately starved him.

On the accession of Henry V this close-fisted control vanished. Henry V was popular. He paid strict regard to the privileges of Parliament, and Parliament granted him subsidies for the wars whenever he demanded them. Their pleasure was so great that, in 1421, they empowered the Council to give security for the payment of all debts contracted by him for his next expedition. Yet the amounts on the issue rolls invariably exceeded the amounts on the receipt rolls, and at Henry's death 1000 lb. troy of silver bullion was the extent of the treasure in the military chest. Parliament did not attempt to control the expenditure of a popular monarch. The



cost of Calais with a garrison of 773 men only was, under Henry V, £24,000 a year; of Fronsac in Gascony, with a garrison of only 90 men, £1200 a year. Yet the Warden and thirty-two scholars of King's College, Cambridge, could be lodged, washed and found for only £100 a year.

With Henry VI there was a return of Parliamentary displeasure, and therefore of the close-fisted financial control. Financially, the reign may be divided into three periods: the first (1422-28), when the Government received practically nothing from Parliament and very little from Convocation; the second (1428-54), when lay and clerical subsidies were fairly regular; the third (1454-61), when the Commons made no direct grants—"in they cannot, may not, ne dare not make any mo grants, considered the great poverty and penury that be among the Commons of this land." Throughout the reign Parliament exercised itself in control of expenditure, not because of its interest in economy, but because control of expenditure annoyed the King and was the main line of attack on his Government. It cut down grants for the royal household. It failed to provide adequately for war, which was carried on chiefly at the expense of noblemen and gentlemen who borrowed money for the purpose. Naval and military expenditure were always shown in the accounts on a peace footing. Financial interest was such that for the first time a budget was



demanding and presented by the Treasurer to the Commons, but only to be seized as a weapon against the King. This occasion perhaps marks the zenith of Lancastrian control. In 1432 Lord Cromwell was appointed Treasurer of the nation by Bedford (the only able administrator in Henry VI's reign), and in the following year made a financial statement that was ordered to be laid before the Commons. He explained that the royal revenue was insufficient to meet the royal expenditure by about £35,000. He showed that the ancient ordinary revenue of the Crown, which in the gross amounted to £23,000, had been reduced by fixed charges to £8990, and that the expenses of Calais alone exceeded it. The result was a further attack on the King and an immediate reduction in salaries by Bedford.

The Commons often exaggerated the state of affairs. A single grant of a fifteenth was sufficient to balance Lord Cromwell's accounts and leave something to pay off past debts. On previous occasions revenue had sometimes exceeded expenditure. There is record of Parliament appropriating, in 1421, a revenue surplus to a miscellaneous number of services, which included the expenses of the household and the upkeep of the royal lions. As it was always to the interest of Parliament to maintain that the country was ruined, the statement must be accepted with caution.

It is apparent that the Commons were not

sufficiently educated to exercise properly the system of financial control which had been prematurely evolved. Their motive was, throughout, the desire to control the royal executive rather than to control expenditure in the interests of economy and efficiency. Nevertheless, it must stand to the credit of the Lancastrian Parliaments that they had perfected their financial control by defining it more clearly in theory and practising it most rigorously in action.

## CHAPTER III

### PRE-REVOLUTION CONTROL—II

#### I.—THE THIRD PHASE: THE TUDOR ECLIPSE

AFTER the premature fullness of its days under the House of Lancaster, the cause of Parliamentary control of expenditure suffered its first check under the House of York, which restored the power of the monarchy without the constitution, and was finally eclipsed altogether by the Tudors when they created a monarchical absolutism with popular consent. Henry VII, as he combined the rival interests of the Roses, combined also the characteristics of their respective policies. With the Lancastrians he observed the form of the constitution: with the Yorkists he turned everything to the profit of the monarchy. The result was a powerful Executive, vested absolutely in the Crown, that Parliament did not attempt to control. The result, from the financial point of view, was expenditure by the Executive that Parliament not only made no attempt to control but did not even criticise.

There are these good reasons why the history of Parliamentary financial control under the Tudors

was blank. In the first place, the nation had only just emerged, exhausted, from the chaos and tumult of civil war and revolution, and had demanded, as plainly as it could, without a Press to give it articulation, a man or superman on the throne. It wanted strong government at home and national self-expression abroad. The Tudor monarchy gave it both, and, as long as it did so, Parliament was in no mood to raise points of economy. It was ready to pay the price of internal order and external glory. It went so far as to make a benevolence lawful *ex post facto* which had been unlawfully taken by Henry VII in 1491. It went even so far in 1529 as to excuse Henry VIII from paying his own debts, after he had been exacting heavy loans for six years, and it repeated the business in 1543. That no Member of Parliament should call attention to the extravagant expenditure on the pomp and folly of the Field of the Cloth of Gold, was an unmistakable sign of the times. As long as English nationalism was turned on the external problem of defence against foreign powers and jurisdictions, the Tudor monarchy, by popular assent, expressed it : it was only when that problem passed away with the defeat of the Spanish Armada that English nationalism sought an outlet in other directions—mainly in Parliament. The eclipse of Parliamentary control of expenditure was then at an end, inasmuch as the Executive was no longer uncriticised and uncontrolled,

In the second place, the Tudor monarchs gave no opportunity for Parliament to raise questions of economy even if Parliament had so desired. They had no common financial policy, but the three greatest Tudors—Henry VII and Henry VIII and Elizabeth—had each their own peculiar genius in matters of the purse. Henry VII quietly amassed a treasure of £1,800,000, without Parliamentary aid, by a careful distribution of escheats and forfeitures consequent on the Wars of the Roses, by fines, by benevolences, and by any such subterfuge as his astute officials could invent. By these means he filled his exchequer without convoking Parliament to tax his people. Henry VIII did, indeed, clamour for money at first, and Cardinal Wolsey went out of his way for that purpose to upbraid the Commons in a wholly illegal speech. But the Commons would have none of it, and Henry, having dismissed his Cardinal, mended his ways, and graciously confiscated the vast wealth of the monasteries instead. Thereafter he never insulted the privileges of Parliament, but outwardly put on a constitutional behaviour. Unlike the Stuarts, he took his forced loans and benevolences, when necessary, and debased his coinage, without saying an unparliamentary word. The strength of his throne was founded upon popular will, not upon the Divine Right of Kings. There was no need for Parliament to defend their liberties by exploiting their control over the public purse.

Nor, for that matter, did Elizabeth, who saw the beginning of the rise of popular feeling against the monarchy, give offence in Government expenditure. She was as parsimonious as Henry VIII was spendthrift, and preferred to live on her nobles rather than on her Parliaments. When she did take loans she repaid them promptly. Her stinginess was beyond reproach. It must be remembered that economy and efficiency in administration was not at that time a recognised national ideal.

The phase of the Tudors was, therefore, one of non-Parliamentary but not anti-Parliamentary expenditure. The outward financial procedure of the Lancastrian Parliaments was, in fact, maintained. Even the two aids that Henry VII demanded in 1503, for the knighting of his eldest son and for the marrying of his eldest daughter, were granted by the Commons in view of the expenses of the "defence of the realm"—as though it was their own appropriation. And in 1559 Tonnage and Poundage was granted to Elizabeth, with the words: "That where as well your noble grandfather of worthy memory, King Henry the Seventh . . . as other your right noble and famous progenitors, . . . have had and enjoyed unto them by authority of Parliament, for the defence of the same now your realm, and the keeping and safeguard of the seas for the intercourse of merchandise . . . certain sums of money, named subsidies, of all manner of goods and merchandise,

coming in and going out of the same your realm. . . ." The Tudor Parliaments were always ready to find excuses for their monarchs, and Tudor monarchs were always ready to admit the constitutional rights and powers of their pliant Parliaments.

But while outwardly the form and principle of Parliamentary control were recognised, in practice there was no such thing. The Lancastrian financial system was forgotten. There was no Parliamentary appropriation of grants to particular expenditures; nor was there any Parliamentary audit of accounts.

The King had entire and exclusive control of the money paid into the Exchequer. All that he did was to sign a warrant to, say, John Heron, Treasurer of the Chamber, and whatever sums were in the hands of the receiver of the revenue were instantly paid over to the King's use. Every officer of State was combined in the King's person. Ships were built or armies raised out of the King's Privy Purse. There was no Admiralty to control Navy expenditure or Commander-in-Chief or Paymaster to control Army expenditure. And Henry VIII was a notorious spendthrift.

What financial control there was, was no longer Parliament's concern, but the business entirely of the Executive. It was, in fact, carried on by the Tudor system of Committees and Councils. That was not an inefficient system on its mechanical side.



The Declared Accounts from the reign of Henry VIII showed much improvement in official methods, and they held the field even to the days of George IV. There was, it is true, temporary disorder in the national finances in the Protectorate under Edward VI. Unsatisfactory accounts were then presented, and auditors had to be appointed throughout the country to check the expenditure of money. In 1552 no less than nine authorities were found to be depositories of the public money. But the Tudor system of government by committee must be recognised on the whole as an efficient administration. No detail was too small for the Tudor Secretaries of State, laboriously pursuing to the last farthing the course of Government expenditure. On the other hand, no expenditure was large enough to justify submission to Parliament. Financial control was not recognised in Tudor government as the business of the people's representatives.

## II.—THE FOURTH PHASE: PRE-REBELLION STUARTS

The fourth and last pre-Revolution phase is that of the Stuarts, and is divided by the interlude of the Commonwealth into two parts—pre-Rebellion and Restoration. The blank in the page of the history of Parliamentary financial control continues through the reigns of the first two Stuarts, but the circumstances are changing rapidly.

The Stuarts inherited the Tudor governmental



system, which excluded the chances of Parliamentary control of expenditure, but immediately made it unpopular by excluding the chances of Parliamentary control of taxation. The latter had never in principle been disputed by the Tudors. Between the accession of the House of Lancaster and the reign of Mary there had, for instance, been no precedent for any duty imposed by the Crown without the consent of Parliament. Mary merely broke the record by a duty on cloths. But James I and Charles I not only imposed duties wholesale, but got legal opinion to say that there was no law but the King's will. That was a new danger for the Commons. The Stuart Executive was now so unpopular that Parliament was determined to attempt some control of it, and the problem of control of governmental expenditure was taken up with the more important problem of control of non-Parliamentary taxation.

The Commons, in fact, had to fight against the Stuart belief in the Divine Right of Kings. Their difficulty was that, at that time, there was no opposite belief in the Divine Right of Democracy. A King who was wealthy enough might lawfully dispense with Parliament altogether. Happily for Parliament, the Stuarts were not wealthy. The influx of silver into Europe from the New World in the reign of Elizabeth had depreciated the value of money, and James I, who was not as extravagant

in spending as he was in theorising, found the ordinary expenses of government had risen unduly. Charles I, who dispensed with Parliament for eleven years, not only had to economise strictly, but had to revive old feudal exactions and invent Ship Money in order to pay his way. The fact that the Deity, in giving the Stuarts (as they claimed) their crowns, failed to give them any money, was the Commons' salvation. Control of the national revenue, rather than control of the national expenditure, was the decisive factor in the struggle.

Nevertheless, the Lancastrian forms of financial control were not forgotten when they demonstrated the need and the right of controlling the Executive. As early as 1623 a Committee was appointed with power "to make a sub-committee, for auditing the accounts and preparing them for the Grand Committee." The Commons soon paid their subsidies, not to the King, but to a member of their own House as Treasurer of the Wars, and gave directions by their Resolutions as to the persons and purposes to and for which the moneys should be paid. Consequently in 1641, when Tonnage and Poundage was legalised by Act of Parliament, there was a strict appropriation clause. It was this stricter system of appropriation that made possible at a later date the system of Estimates. In 1641 an estimate was actually laid before the House of the cost of disbanding the army.

Nor was criticism of the merit of expenditure overlooked. As Sir Nathaniel Rich proposed in the House of Commons in 1625: "There is a necessity to look into the King's estate, how it may subsist of itself, which is an old Parliamentary course, and hath always been used when as any great aid hath been required of the Commons." So in 1628, when the Commons remonstrated against the King taking Tonnage and Poundage without their consent, they recalled the control of expenditure in Lancastrian days: "Although your royal predecessors the Kings of this realm have often had such subsidies . . . upon divers occasions, especially for the guarding of the seas and safeguard of merchants; yet the subjects have been ever careful to use such cautions and limitations in those grants . . . and they have heretofore used to limit a time in such grants, and for the most part but short, as for a year or two. . . . At other times, it hath been granted upon occasion of war, for a certain number of years, with proviso that, if the war were ended in the meantime, then the grant should cease; and of course it hath been sequestered into the hands of some subjects to be employed for the guarding of the seas."

Wasteful expenditure was one of the many indictments in the Commons' Grand Remonstrance. "The King's household . . . had brought him to that want that he could not supply his ordinary and necessary expenses without the assistance of his

people." The Commons desired "the establishing and ordering the King's revenue, that so the abuse of officers and superfluity of expenses may be cut off, and the necessary disbursements for his Majesty's honour, the defence and government of the Kingdom, may be more certainly provided for."

It was obvious that as the Executive had no longer popular approval, the Legislature would seek to control it by way of the purse. But for the moment it was more important for Parliament to secure control over taxation, which was jeopardised by the Stuart doctrine of Divine Right of Kings, than to secure control over the course of expenditure. And Parliament had to fight for it by force of arms.

### III.—THE FOURTH PHASE : THE INTERLUDE OF THE COMMONWEALTH

Of the Protectorship of Cromwell it will suffice to say no more than that it did not restore Parliamentary financial control. The blank in that history continues. During the Great Rebellion the national finances (such as they were) were managed by a Parliamentary Committee. Cromwell perpetuated the monarchical form of government, and there are royalists who will prove that he committed all the illegalities perpetrated by the Most Gracious Martyr Charles I. But the principle that Parliament had fought and bled for—the control over taxation—was admitted in form, if it was not observed scrupu-

lously in practice. A fixed yearly revenue was settled on Cromwell, for the support of an adequate navy, an army of 30,000 men, and a permanent civil establishment—the cost of the latter being fixed at £200,000—but for all extra-ordinary votes of money the sanction of Parliament was to be obtained.

Nothing was said of the expenditure of the fixed revenue, which was a matter left entirely to the Cromwellian Executive. It happened that the Commonwealth finances went to utter confusion. All the customary machinery of State had been swept away—the Privy Council, the Exchequer, the Admiralty, the Court of Wards, the Court of Requests, the Prerogatives Court; and with them went the customary State officials—the Lord Chancellor, the Treasurer, the Chancellor of the Exchequer, and the Secretaries of State. Instead there was government by committee, and when government is bad it is at its worst when it is government by committee. The Council of State, with a variety of subordinate committees, was in fact the Cromwellian Executive until Cromwell himself ruled more absolutely in his last few years. Financially, the result was chaos and debt. There were financial committees—such as the Committee for the Advance of Money (1642–1655), the Revenue Committee, the Committee for Receiving the Accounts of the Kingdom—but they seem to have added to the confusion. The principle of the Committee for the Advance of Money was

wholly pernicious from the financial point of view. It raised money by assessment, and the Council of State issued warrants for payments on the funds so raised. The funds gave out, and the warrants for payments were transferred from one fund to another. There were frequent but abortive attempts to bring all the funds into one Treasury, which had been abolished, but in effect particular funds or portions of them were paid over to particular officials—as, for instance, to “Charles Walley, manager of the transport and victualling service at Chester”—to disburse as they thought fit. Wherefore, chaos and debts thickened, and were not without their consequence when the Restoration Parliaments turned to questions of financial control.

#### IV.—THE FOURTH PHASE: RESTORATION STUARTS

In the second half of the Stuart phase—that is, in the period of the Restoration—the history of Parliamentary control of expenditure is reopened. It had been eclipsed by the monarchical absolutism of the Tudors, shelved in the life and death struggle between Parliament and the first two Stuarts, and suspended in the interlude of the Commonwealth. It was now, in 1660, brought again to the front, but in very different circumstances. The control of Parliament over revenue was no longer in dispute. It had cost Charles I his crown, and it was not reopened by Charles II now that he had regained

the Crown. But control over expenditure came into dispute because the Crown was restored with every power of the Executive vested in it, and Parliament was not willing that the executive power should remain uncontrolled.

The Crown started with all the joy-bells of the Restoration in its favour ; but Charles II, when he was serious, had two ends in view—the emancipation of Roman Catholics from political disabilities, and the emancipation of the Crown from Parliamentary interference. The two ends were really incompatible, inasmuch as the Crown could only become autocratic with the support of the Anglican Church. The disputes over expenditure were, in fact, at their hottest when Clarendon was Charles's Minister and the Church was on the royal side. Charles only became autocratic when he was convinced, by the Test Act in 1673, that the emancipation of Roman Catholics was a lost cause, and for his last four years he ruled without any Parliament at all, but with the blessing of the Church. James only ruined the same form of government by reviving his brother's abandoned Roman Catholic policy. It was obvious that, with these two ends in view, Charles II would not long retain his popularity with Parliament ; and in point of fact Parliament began to come into conflict with him over control of expenditure in the first few years of his reign. The truth was again demonstrated that



expenditure could only be controlled in so far as the Executive was controlled, and the struggle between Charles II and his Parliaments became, in reality, a struggle for control of the Executive which could, and did, only end in revolution. The fight for control of expenditure was the tactical ruse of defence which Parliament was in the habit of employing in its strategy of an offensive campaign for the defeat of an irresponsible Executive.

The ground on which the fight was waged at the Restoration can be viewed more distinctly than in previous reigns, inasmuch as from 1660 the Treasury established itself as a department outside the Exchequer. It kept its own records, and the working of the King's Executive can be seen from inside. The monarchy had been restored in all its personal aspects : the Crown was the centre of the Executive. In the King's hands personally lay the direction of the entire administrative machine. Parliament merely claimed, first, the right to raise the revenue for the Executive, and secondly, the right to criticise the expenditure of the Executive. It never openly claimed complete control of that expenditure, which would have meant control of the Executive. Charles II regarded the first rather as a Parliamentary duty to see that the Executive was kept in sufficient Parliamentary funds, and the second he regarded rather as a presumption. And in his favour there was much to be said.



In the first place, estimates (such as they were) for the various services were now drawn up, but were not normally submitted to Parliament. They were drawn up in the departments, submitted to the King in Council, and there fixed or decided upon. Parliament never saw them.

In the second place, the accounts, inadequate as they were, were likewise drawn up in the departments, audited in the King's Exchequer, and declared in the King's Treasury. They were not submitted to Parliament. The gains of the Lancastrian Parliaments in matters of financial control had long since been lost, and Parliament at the Restoration had to begin again at the beginning. If Charles II desired to take Parliament into his confidence on the subject of estimates and accounts, he might himself address the two Houses, or he might leave the matter to be put forward by those members of his Executive (not as yet Ministers) who had seats in one House or the other. If Parliament distrusted the King's figures, it had to set up an extra-ordinary committee of its own to inquire. There was not the regular Parliamentary machinery for securing financial information and control as had been prematurely set up by the Lancastrian Commons.

Such were the respective positions of the two antagonists. It is clear that the constitutional advantages lay with the King, but practically he was in a position of inferiority. Parliament had

control of the purse-strings, and Charles inherited the debts both of his father and of the Commonwealth. On the day before his Restoration there was precisely the sum of £11 2s. 10d. in the National Exchequer. In these circumstances the part played by Parliament was certainly not heroic. After the manner of its Lancastrian predecessors it starved the Executive: it never settled sufficient revenue on the Crown to meet the Crown's debts and to pay the expenses of the Crown's administration. For this it cannot altogether be blamed, seeing that it had no machinery for ascertaining what the taxes would yield and what the expenses of government would amount to. The truth became evident that control of revenue was useless without control of expenditure.

It is a truth which may be illustrated in detail from Charles II's reign. The revenue position was as follows. It has been said that Charles inherited a conglomeration of debts. There was about £1,500,000 due to the Cromwellian Army and Navy; about £1,300,000 on the Commonwealth civil debt, the Long Parliament debt, Charles I's debts; and an unknown sum on Charles II's exile debts. Parliament, through sheer inability, raised only £600,000 for the first, could provide nothing for the second, and could attempt nothing for the exile debts, as no account of them was ever submitted. In other words, it saddled Charles with debts amounting to £2,200,000 and the portions of the Cromwellian

Army, which he could not pay off. Those debts he could only meet out of his own hereditary revenue, which Parliament fixed at £1,200,000.

That was a reasonable revenue to fix to meet the normal expenditure of the time. Unfortunately, the ways and means which Parliament determined for the supply of this annual sum never produced £1,200,000. There was a deficit respectively on the Customs, the Excise, the Crown Lands, and the Hearth Money. "With all my arithmetic," said Sir George Downing, the Secretary of the Treasury, to the House of Commons, "I cannot make out the King's income to be £900,000." And he was perfectly accurate. Moreover, the normal expenditure on Army, Navy, and Ambassadorial Services automatically increased. The occupation of Tangiers was a heavy financial commitment. The faithful Commons, therefore, made grants in aid of the ordinary revenue: but even these did not clear the deficit. On occasions of war they voted extra-ordinary grants; but even these left heavy deficits on the actual war expenditure. In the first Dutch War they voted £1,500,000 short; in the second, over £300,000 short; in the intended war with France about £180,000 short. The result, hastened by the reckless creation of paper money, was inevitably national bankruptcy; and in January, 1672, there being a net deficit of £2,000,000, Charles declared the "Stop of the Exchequer." By this device he postponed for twelve months the payment of paper orders. It did not,

of course, put him in possession of funds; it merely enabled him to use his revenue for one year unhampered by the payment of debts. It was fortunate for Charles that, after the stop of the Exchequer, the yield of the taxes was increased by the greater national prosperity. With the help of the French King's money, to which Parliament had practically driven him, he was able to pay his way, and at his death left debts only amounting to about £2,000,000.

Such was the lamentable history of the reign of Charles II in terms of cash. Parliament had in practice reduced the Executive to impotence by its own failure—though it was scarcely its own fault—to provide adequate funds. It went further, and would have reduced it in theory, as well as in practice, by asserting its control over expenditure. Charles resisted that assumption and was logically correct. The constitutional theory of the times pointed to the Crown as the sole Executive, and the Commons had made no claim to have an Executive responsible to Parliament. Yet the Commons were justified in their action, for there would be no guarantee that expenditure would be controlled at all unless Parliament saw to it. The Lord Treasurers of Charles did their honest best, and Danby, in particular, effected considerable economies; but the Lord Treasurers were servants of the Crown and bound to do the bidding of the Crown. They could not control expenditure against the will of the

Crown, and, further, they were not in the position of a modern Chancellor of the Exchequer, for there was no Treasury system of control, at the Restoration, over the expenditure of other Government departments. It was, for instance, no part of the duty of the Treasury to prepare a statement of debt standing on the various branches of the administration: that could only be done by a Parliamentary Committee. Moreover, the departmental accounts did not lend themselves to any control of expenditure by a departmental official. The ordinary or peace expenditure was never kept separate from the extra-ordinary or war expenditure. The accounts were never presented at the end of each year's expenditure, but might be declared six or seven years later.

It was, in fact, due to the inefficient rendering of financial information that Parliament estimated Government income and expenditure so erroneously. It cannot be blamed for inquiring into expenditure merely because in 1677 it was "out" in its estimate of the cost of thirty ships by £70,000. Yet the logical result, as it found at the Revolution, of its necessary criticism and control of Government expenditure was control of the executive power.

The Commons' disputes with Charles on these matters were, therefore, not infrequent. Parliament had to fight for what, in Lancastrian days, would have been regarded as the elements of financial

control—that is, appropriation and audit of accounts. It saw the financial virtue in allocating to a particular object its extra-ordinary grants; yet Clarendon, confident of Anglican support, opposed the proviso in the Subsidy Bill of 1665 that the sum of £1,250,000 voted for the Dutch war should be applied only for the purpose of that war. It was Clarendon again who opposed the Committee appointed in 1668 to secure that the money, voted by the Act of Supply, “should be issued, for setting out a fleet this summer and in paying of seamen for this expedition and to no other use or purpose whatsoever.” So it was in the matter of audit of accounts. The Bill in 1662, nominating Commissioners to inquire into the public accounts, met with strenuous opposition from Clarendon in the House of Lords. Nor was it passed until he had fallen from office, thrown by a grateful master to the Parliamentary wolves. The battle was not won for Parliament by his fall. Charles would never admit the right of Parliament to interfere in the course of the Executive’s expenditure, and, though he submitted to appropriation clauses, he was nevertheless careful to devote money to the entertainment of his mistresses, that had been intended by Parliament for more national purposes. It is significant that Danby, a replica of Clarendon, who had come into office in 1670, was impeached, among other things, for the breach of an appropriation clause; and Edward Seymour, Treasurer of the

Navy in 1677, for misappropriating money voted under the Subsidy Act of 1676 for the thirty ships of war.

The occasion of the Commissioners of Accounts in 1667 is worthy of some record in detail. In 1666, after the expenses and failures of the Dutch war, a committee had been appointed to inquire into the accounts of the officers of the Navy, Ordnance, and Stores, but found itself helpless as an inquisitor because it could not administer an oath. Parliament demanded a body more potent than a modern Public Accounts Committee. A Bill was passed, after Clarendon had fallen, nominating Commissioners to inspect the further accounts, with power to report all persons convicted of breach of trust. The Commissioners were not members of Parliament, and no Parliamentary Committee ever had such powerful terms of reference. They were to examine upon oath, summon inquests if they thought fit, commit persons, without bail, for disobeying their orders, and determine finally upon the charge and discharge of all accountants. On their report the Barons of the Exchequer were to issue process for recovering money to the King's use as if there had been judgment in their own Court.

The Commissioners were not unworthy of their terms of reference. As a result of their labours Sir George Carteret, Treasurer of the Navy, was expelled the House in 1669 for issuing money



without legal warrant. The Commissioners struck terror into the heart of such a master, in the art of fooling Members of Parliament, as Samuel Pepys. Sir W. Coventry had advised Pepys, before he gave evidence, "that the greatest wisdom in dealing with the Parliament in the world is to say little, and let them get out what they can by force." With this maxim—"which I shall observe"—Pepys went before the Commissioners of Accounts with the air charged, like Westminster to-day, with gossip of Government waste of money, "complaints of false musters and ships being fitted with victuals and stores at Plymouth after they were fitted from other ports." In his own words (February 5th, 1668)—

"To the Commissioners of Accounts, where I was called in, and did take an oath to declare the truth to what they should ask me, which is a great power, I doubt more than the Act do, or as some say can, give them, to force a man to swear against himself; and so they fell to inquire about the business of prize goods, wherein I did answer them as well as I could, in everything the just truth, keeping myself to them. I do perceive at last, that that they do lay most like a fault to me was, that I did buy goods upon my Lord Sandwich's declaring that it was with the King's allowance, and my believing it, without seeing the King's allowance, which is a thing I will own and doubt not to



justify myself in. . . . They were inquisitive into the minutest particulars, and had had great information; but I think that they can do me no hurt—at the worst, more than to make me refund, if it must be known, what profit I did make of my agreement with Captain Cocke; and yet, though this be all, I do find so poor a spirit within me that it makes me almost out of my wits, and puts me to so much pain, that I cannot think of anything, nor do anything but vex and fret and imagine myself undone.”

And later (February 12th)—

“ Roger Pepys and Sir Thomas Crewe and Mr. George Montagu are mighty busy how to save my Lord’s [Sandwich] name from being in the Report for anything which the Committee is commanded to report to the House, of the miscarriages of the late war.”

But these Commissioners of Accounts were no permanent asset to Parliamentary control of expenditure. They were a quasi-judicial, quasi-executive body, and their existence was special to the occasion. There was no sign yet of permanent machinery for Parliamentary control of expenditure. Nevertheless they undoubtedly strengthened the hands of Parliament, for in 1670 a committee was appointed “ to inspect the estimates, lists of debts, and accounts brought in from the Lords Commissioners of th<sup>e</sup>

Treasury and the Treasurers of the Navy; and to examine the particulars how the debts were contracted, and for what and to whom the moneys were owing." And in 1677 the first estimate since the Restoration was referred to Committee of Supply. Charles II had demanded ninety ships and 40,000 men for the war about to be declared against France, and in the course of debate in Supply it was referred to a committee to prepare an estimate of the charge of maintaining the fighting forces for a month. The estimate was subsequently laid before the House and a vote taken for the total monthly expense. The year after, the same procedure was followed for the disbanding of the Army. An estimate was made by the House after examining the Commissary and Paymaster of the Army and obtaining accounts of all the forces raised.

The struggle for control of expenditure went on, and Charles did not free himself from Parliamentary interference until he had dispensed, for the last four years, with Parliament altogether. His Government had then become profoundly unpopular. Louis XIV had discredited him in the eyes of Parliament by revealing the Secret Treaties which provided Charles with French money. The myth of the Popish Plot roused popular suspicion of, and fury at, the King's Roman Catholic policy. In these circumstances the attempts of Parliament to control the King's expenditure could only end in its logical

conclusion—the control of the King's Executive. That, hastened by the folly of James II, is what happened at the Revolution.

#### V.—CONCLUSION

In general, the whole pre-Revolution era of control of expenditure was the liveliest period of Parliamentary interest. With periodical exceptions, Parliament had been actively alive to the necessities and the means of controlling public expenditure. It had won from the Plantagenets, by reason of the financial straits of war, a first recognition of its claims. It had traded on the weakness and bankruptcy of the Lancastrians to perfect and elaborate its machinery of control. Later, it suffered the non-Parliamentary spending of the Tudors only because it was not actually anti-Parliamentary. Under the Stuarts it recovered its interest because of the necessity of the time—the pressing need to recover its liberties from an unconstitutional monarchy. It fought Charles I in civil war, mainly for control of taxation, and overthrew his sons in revolution, partly for control of expenditure. As long as the Crown was unbeaten and unfriendly, the necessity for Parliament to fight for control of expenditure was instinctively understood. It was their tactical ruse for conducting a strategical offensive against the Crown.

But the characteristic of the pre-Revolution era

was that control of expenditure was a means to an end and not an end in itself. It was the practical means to the end of controlling a theoretically uncontrollable Executive. It was not an end in itself in the modern sense of economy and efficiency in administration. When the Lancastrian Parliaments had temporarily perfected it, it resulted not in economy and efficiency, but in parsimony and inefficiency—in the starving of administration. But the Revolution of 1688 secured the principle of a controllable Executive—that is, an Executive responsible to the Legislature, and thereafter the character of Parliamentary control of expenditure changed. And the change was not immediately for the better.

## CHAPTER IV

### POST-REVOLUTION CONTROL

#### I.—THE REVOLUTION VICTORY

THE extent of the collapse in the eighteenth century in Parliamentary control of expenditure cannot be appreciated without an exact definition of the extent of the victory secured at the Revolution and in the Revolutionary period immediately following. Herein it is customary, but useless, to cite the Bill of Rights, which is a document wholly negative in character, albeit with a most positive sound. The Revolution brought about in other ways a reconstitution of the public financial system that is nowhere mentioned in the Bill of Rights: it was made possible by the growing dependence of Executive on Legislature.

In the first place, the line of distinction, which the Lancastrian Parliaments had begun to draw, was now drawn more clearly between the personal revenues and expenditures of the King and the revenues and expenditures of the State. For the first time there was mention on the Statute Book of a Civil List. But the distinction was a gradual

process, and was dependent to a certain extent on another gradual process, the growth of a National Debt. Charles II had borrowed £13,000 from the London Goldsmiths, who were the bankers of the day, and had never repaid them. It was obvious that, if money was to be borrowed for national purposes, the security had to be better than the King's word; it had to be the nation's word. And in 1692 a million was borrowed for the French war on the security of an Act of Parliament. That was the beginning of the National Debt. At the same time it was obvious that money thus lent for national purposes had to be kept distinct from the King's personal revenue. And in 1698 £700,000 a year out of a revenue of £1,200,000 was in fact assigned to William III for his personal expenses, the support of his household, and the payment of civil offices and pensions. That was the beginning of the Civil List. Parliament thereby defined the sphere of its control over expenditure. It definitely laid down that any excess over the £700,000 (obtainable from the hereditary excise on beer, cider and spirits granted to Charles II on the abolition of the feudal military tenures, and from the new tonnage and poundage granted to William III for life) was not to be expended without the express authority of Parliament. In other words, only the expenditure of £700,000 of the national revenue was exempt from its control.

In the second place, a beginning was made of exact control of expenditure by examination of estimates before appropriation. It arose from the fact that appropriation became an exact and annual affair, which deserves some notice.

The blessedness of appropriation was not forgotten even in the first year of William III's reign. A clause in an Act providing for £400,000 to be raised and applied for "the speedy payment of seamen in their Majestys' navy royal; and to the paying for and supplying of necessary stores, provisions and victuals for their Majestys' navy royal," penalised any officer of the Exchequer or Navy, who should divert or misapply that money, with forfeiture of office and payment of the misappropriated sum. The immediate causes of this appropriation clause becoming annual were the Revolution, which introduced annual sessions of Parliament, and the French war, which led to annual votes in supply for navy, army and ordnance services. The remoter cause was the old desire of Parliament to limit a standing royal army. Most of the conservative-minded Revolutionists of 1688 had suffered the existence of an army purely Parliamentary and of an army purely royal, and were determined in the future to avoid both. The immediate problem was to avoid the royal, which James II had left at Salisbury and which William III had added to with Dutch, Nassauers and Swedes, With the subtlety with which



they had carried off the intrigue of "the glorious revolution," they proposed that the King should command the army and that Parliament should pay for it. This meant that unless Parliament was summoned each year, and unless money was voted each year, the King would have no army at all. It also meant that Parliament would have a voice in deciding the strength of the army, and was the origin of Vote A—for numbers on the establishment—which introduces the Army Estimates of to-day. By these means appropriation of grants became annual. The votes of supply were formally sanctioned each session in Lord Somers' appropriation clauses, under which the Lords of the Treasury and the officers of the Exchequer were forbidden, on pain of great penalties, to issue any moneys for any other service than that to which they were appropriated. The wickedness of misappropriation was formally entered on the journals of the House in 1711.

Now seeing that supplies were voted thenceforward for the year only, it became possible to anticipate expenditure more precisely. Estimates for the supply services, foreshadowed in the reigns of Charles I and II, began, in fact, to be laid before the Commons regularly. The first was presented to the House in 1688 "for the charge of troops to be employed in the service of Ireland, computed for one year," and the second for the ordnance. An



opportunity was thereby given for the regular criticism of expenditure before it had been incurred. This was a great step forward.

In the third place, the criticism of expenditure after it had been incurred seemed likely, also, to become an annual affair. The Commons began to appoint commissioners to examine the expenditure of the money annually appropriated. The Audit Acts passed in the reign of William III produced little practical result, but they were revived in the first year of the reign of Anne. "I am very pleased," said the Queen in her usual prosaic manner, "to have given my assent to the Act for taking the public accounts. Nothing is more reasonable than to give the Kingdom the satisfaction of having these great sums accounted for. . . ." It is true that the commissioners were often of a party character, but their work was often effective, and it was important to have an audit at all that was continuous.

Such was the extent of the constitutional victory secured at the Revolution. The reality of it was shown on diverse occasions. In 1703 the Commons expelled the Earl of Ranelagh, William III's Paymaster-General of the Forces, for "a high crime and misdemeanour in misapplying several sums of public money" voted to army services, although he had issued the moneys on the direction of the King himself. Then, in 1711, when the navy had contracted a debt of £606,806 7s. 7d, by the issue

of supplies to the army without deduction of the cost thereof from the pay of the troops, the Commons went further and resolved that "the applying any sum of unappropriated money or surplusage of funds to uses not voted or addressed for by Parliament hath been a misapplication of the public money." Their resolutions on that occasion were put into the form of an Address to the Throne, which left no uncertainty as to the Revolution victory in matters of finance. It ran: "The Commons must ever assert it as their sole and undoubted privilege to grant money, and to adjust and limit the proportions of it; and when your Majesty has recommended to them to consider of supplies, and they have deliberated upon the several estimates for the annual services, and considered and determined what the nation is able to bear, their proceedings would be very vain and ineffectual if, after the respective sums are stated and granted, those through whose hands the disposition of them passes are allowed in any measure to alter and enlarge them." The increases in expenditure beyond the supplies voted for the wars seem trifling to the excesses that were afterwards sanctioned in the Seven Years' War, the American and Peninsular wars, but the Commons were honestly and zealously determined to control public expenditure, and in the year of that Address they passed another Act for auditing the public accounts by seven commis-

sioners chosen by ballot from among their members. The reality of their financial control was never better expressed than in the reduction of the army after the Peace of Ryswick in the face of the strongest opposition from the King.

The disputes between Lords and Commons are further evidence of the Commons' anxiety to limit the Executive's expenditure. In 1691, for instance, the Lords desired to nominate four commissioners to those appointed by the Commons "to examine, take and state the public accounts of the Kingdom." The Commons would have none of them. "No inference," they said, "can be more natural than that it is in the Commons only to name commissioners for the exercise of that authority which is an essential part of their constitution." The dispute was long and the Commons held out. Again, in 1702, they objected to the Lords' appointment of a committee "to consider of the observations in the book of accounts laid before them by the Commissioners of Accounts the 15th of January," and to their acquittal of Charles, Lord Halifax, Auditor of the Receipt of Exchequer. "No cognisance," they said, "the Lords can take of the public accounts can enable them to supply any deficiency or to apply any surplusage of the public money."

The House of Commons had, in fact, realised that the expenditure of the people's money was not a matter for the King or, for that matter, for the

House of Lords, but for the people's representatives; that proper control of that expenditure must be exercised by examination of estimates and annual appropriation of grants, as well as by audit of accounts. It needed only the enforcement of these principles in practice, only their development in details, to evolve an effective and scientific system of Parliamentary financial control. Yet the post-Revolution period is barren of any such attempt, much less achievement.

## II.—THE AGE OF THE WHIG ARISTOCRACY

From the financial point of view, the post-Revolution period begins with the Peace of Utrecht in 1713 or the accession of George I in 1714. It may, from the same point of view, be divided into three ages: first, the age of the Whig aristocracy, which is one of corruption and is only out-corrupted in December 1783, when George III made the Younger Pitt, unconstitutionally, Prime Minister; secondly, a transitional age, down to 1830, mainly of Tory, and thereafter of Whig, bureaucracy, which, although a reactionary age, is one of financial hopefulness; thirdly, the Liberal age of Gladstone which, from 1852, is one of financial formalities. Generally speaking, the House of Commons lost interest in financial control as soon as it had secured its victory over the Crown by the Revolution of 1688. Expenditure was watched as long as the governing

power was distinct from the paying power : when the governing and paying powers were united, in 1688, expenditure went on unchecked. Parliament, in reality, failed to realise that a Cabinet form of government was emerging which had taken on the prerogatives of the Crown, and that Cabinet expenditure needed as strict and even stricter Parliamentary control. It did not realise, in fact, the root principle that the Legislature should exercise some financial control over the Executive whatever form the Executive might take. Generally speaking again, there was some excuse for Parliament in the age of the Whig aristocracy inasmuch as it was bribed, corrupted and elected by the Government in power. Its members had not the financial independence that could make them financial critics. But there was no excuse for the Parliament in the age of Gladstone, which, having reformed itself in 1832, failed to realise its opportunities. The eighteenth century made no attempt to perfect the formalities of control of expenditure : the nineteenth century perfected the formalities but killed the spirit. Both failed to reap the full fruits of the victory of the Revolution Parliaments. The liveliness of financial criticism died with the birth of new power.

Consider the age of the Whig aristocracy. Parliamentary corruption was at its height, not so much because of direct bribery as because of the extensive

patronage manipulated by Ministers. The Whig Government, by judicious disposal of honours, places, offices, Government contracts, purchased a majority in Parliament which outlasted many general elections. They erected party into a system and the party system into a family union. The great Whig houses, Grenville Whigs, Wentworth Whigs, Pelham Whigs and Cavendish Whigs, became, in fact, a form of Government by aristocracy. It was not necessarily an inefficient Government because it lost America: it was probably the only form of Government for which the country was fitted, having outgrown monarchical despotism, and not grown up to democracy. Moreover, it produced capable financiers. Walpole was corrupt, but his financial administration was sound and far-seeing, and while he remained in power (1721-1742) the public credit stood high. George Grenville, who muddled the American question, was yet a sound financier, albeit without a spark of imagination. But it was not a time for Parliamentary control of expenditure. Under a system of government where the majority of the House of Commons had been bribed or favoured, or were looking for bribes or favours, financial criticism of administration was impossible. All sense of financial morality was lost. Commanders-in-Chief grew fat on "the usual percentage" on the army bread contract, and on the pay of the troops. The Elder Pitt grew famous for

not making his fortune from the greatest political prize of his day—the office of Paymaster. The delight which Parliament took in cutting down expenses when it meant cutting down the power of the monarchy, vanished when it meant cutting down their own powers of patronage and bribery. Interest in the course of national expenditure was gone. After Queen Anne's days, audited accounts of expenditure declined into incompleteness and worthlessness: abstracts of public receipts and issues were never drawn up. Annual Finance Accounts were unknown before 1802. Parliament, as apart from the Government, knew nothing of what was allotted to Government Departments to spend or of how they spent it. They knew nothing of what went into the Exchequer or what came out. Nor did they care to discover. The public financial system was allowed to run on as it might, without care from Parliament. Government expenditure might be manipulated in the interests of corruption: there was no attempt to control it in the interests of economy.

Consider what might have been done, after so much had been accomplished in the Revolutionary period. In the first place, the obvious distinction might have been completed between the personal expenditure of the King and the expenditure of the State. But the charges of Civil Government were, for the most part, still defrayed from the



King's Civil List, and although various charges were removed therefrom under George III and George IV, it was not till William IV, when the royal family received a personal salary, that they were completely separated. All expenses of the National Government were thereafter charged either to the Consolidated Fund Services or to the Supply Services coming under the annual review of Parliament. But it could have been arranged at least a century earlier, if there had been a live financial control by Parliament.

In the second place, annual estimates and appropriation of grants might have been developed, but were allowed to become nugatory. Appropriation was never extended. The votes of Supply were for army, navy and ordnance services only: only a few votes were taken annually for services of a civil nature. The latter gradually increased in number, but were never extended as they might have been. They were quite insignificant in amount till the later years of George III. And for the whole of the navy there was only one vote till 1798. In the army there were two or three votes that dated from the reign of Anne. But there was no serious attempt to extend appropriation usefully or to develop control by rigid examination of estimates. In all services there grew up the practice of expending in "extra-ordinaries" large sums without the sanction of Parliament and the vote for "extra-ordi-



naries" was submitted to the House of Commons in a subsequent session. Hatsell has written that the "extra-ordinaries" in the American War exceeded all bounds, that the sums demanded on that head fell not far short of the whole sums voted by Parliament, and in 1782 actually exceeded them. The whole purpose and utility of Parliamentary estimates and appropriations were thereby lost. Current expenditure went on uncontrolled. In 1727 and 1735 *unlimited* votes of credit were even voted by Parliament to the Crown, and protest came not from Commons but from Lords, who called attention to "those excellent Parliamentary methods of granting all sums of money only upon estimates and for services publicly avowed." A motion "that to apply towards defraying the ordinary charges of His Majesty's revenue any sum of public money exceeding the sum granted by Parliament for that purpose is a misapplication and ought to be prevented," was even defeated. Parliament had become hardened to its scandals. It was not till the brighter days of Pitt that a resolution was passed, in 1784, that misappropriation was a "crime and misdemeanour, a daring breach of a public trust derogatory to the fundamental privileges of Parliament and subversive to the constitution of this country." A year earlier the proposer of that resolution would doubtless have been bribed.

In the third place, there was the same naïve

disregard of the first essential of financial control—audit of accounts. Naturally the Whig placemen were not anxious to publish accounts of their bribes and other irregularities. The Commissioners of Accounts, whom the Revolution brought in, did not, in fact, survive the reign of Anne. Under George I the Commons refused to pass any Act at all for the audit of the public accounts. The Commissioners of Account were discontinued, even for party purposes, and were not reappointed till 1780, when Mr. Dunning's resolution against the influence of the Crown had aroused popular indignation. Even then, the accounts were not presented to Parliament or audited by Parliamentary commissioners. There was, indeed, a time-honoured audit by officers of the Exchequer with all the ceremony of sixteenth-century regulations; but the audited accounts were never submitted to Parliament: they were passed by the Treasury. Nor, for that matter, would it have helped if they had been laid on the Table of the House. They were quite worthless and in 1782 there were large accounts still open which were twenty or thirty years old, and some that went back to the reign of William III.

It is true that not every politician in the eighteenth century was blind to the virtue of financial honesty and the necessity, therefore, of an audit of public accounts. There were passing attempts at reformation. There were from time to time independent

committees appointed to examine the accounts, which did not fail to expose the plentiful growth of financial irregularities. Thus, in 1742, the House of Commons balloted for the seven commissioners authorised in a Bill for "examining, taking and stating the public accounts." But these commissioners had no continuity and failed to secure the results of a regular Parliamentary audit. It is significant that when the Commons, in 1780, were boldly shaking their fist at the Crown by resolving that "it is competent to this House to examine . . . into the expenditure of the Civil List revenues as well as in every other branch of the public revenue," they automatically added, "whenever it shall appear expedient to the wisdom of this House so to do." Even in their better moods, the Whig Parliaments had no conception of a regular audit of accounts as an essential part of the system of public finance. So poisoned was the idea of Parliamentary control of expenditure by the universal corruption of political life, that when the Younger Pitt rebelled, swept away the old audit of the officers of the Exchequer, and set up a new and enlightened Board of Audit, it did not occur to him to lay the results of that audit before Parliament. The *forms* of Parliamentary control—so hardly won from kings—had been thrown away and forgotten in the *laissez faire* of an aristocracy.

## III.—THE TRANSITIONAL AGE

The transitional period, from the financial point of view, between eighteenth-century Whigs and nineteenth-century Liberals was ushered in by the Younger Pitt. This is not the place to speak of his financial policy. Suffice it to say that by, or in spite of, reading and believing in Adam Smith, he reduced the national debt of £250,000,000 by £10,000,000 and increased the national revenue from £12,000,000 to £16,000,000. What is more important for the present purpose is that under his administration Parliamentary control of expenditure was brought back to life. The cause of it is not to be found in his reform of the national accounting. The Board of Audit which he instituted was extra-Parliamentary, and the later post of Comptroller of the Exchequer, which was created in 1834, was consequently of no Parliamentary value. The satisfaction at knowing that the accounts of the nation were properly kept and audited was—for the Commons—somewhat remote. But Parliamentary financial control was saved by other means. It was saved, in the first place, by the fact that the "Mince-pie Administration" of December 1783 held together and broke the power of the old Whig aristocracy. For nearly four months Pitt, with the support of the King and the King's "Friends," had kept up a fight in the Commons against an

adverse majority, and in the general election in May 1784 swept the country. With the old Whig aristocracy went out the old corruption, with a huge overload of sinecures. Pitt needed no support by bribery, and Parliament was again in the independent position to criticise Government expenditure. In the second place, the pressure of the Napoleonic wars gave Parliament once more an incentive to control expenditure in the interests of economy. The field for economy was certainly great. There was the classic example of the Barrack-Master-General, created in June 1792, on whose resignation in November 1804 it was found that over £900,000 of public money had been issued to him—of which he had drawn for his own use £135,128 13s. 8d.—and that no accurate account had been kept of either public or private expenditure. A Select Committee on Finance of 1797–1798 found a harvest for its gathering. Its terms of reference—primarily to examine and state the total amount of the public debt and the produce of taxes—included the words: “To examine and consider what regulations and checks have been applied in order to control the several branches of the public expenditure, and how far the same have been effectual.” Its labours were immense—it made thirty-six compendious reports—and extended over the expenditure of every department of Government. Besides elucidating the position as regards the revenue and the national

debt, it pointed out obvious economies. For instance, in its report on the Hawkers and Pedlars Office: "This office does not appear to have any control over persons following the business of a Hawker and Pedlar. . . . It also appears to your Committee that the whole of the business of this office might be transacted by the Commissioners of Stamps, with only the addition of one or two clerks . . . and thus the whole expense of this office might be saved without any detriment to the public service." The administration at that time was choked with little offices, such as the Privy Seal Office, Stamp Office, Tax Office, Salt Office, Hackney Coach Office, First Fruits and Tenths Office, which called either for abolition or absorption within the larger offices. The Finance Committee was not slow to point out these defects. Nor did it presume to have reaped the full harvest of economies. In its report on the Post Office, it said: "An active and vigilant superintendence would produce retrenchments. . . . Without it the business of this important and extensive branch of the Public Revenue and Expenditure will always have a tendency to profusion; with it regulation and economy will spread their influence through the different departments, and will justify your Committee, even at this period, in repeating what is stated by the Commissioners of Inquiry in their report, 'though much has been done much remains still to be

effected.' " Thereafter there was a recrudescence of committee activity in financial matters, but marked rather by determination than success. A conspicuous Select Committee on Public Finance and Expenditure in 1828 considered that "although the Select Committees of Finance and the Parliamentary Commissioners of Inquiry, which have been appointed during the last twenty-five years, did not succeed to the full extent that was expected, their reports have been highly beneficial . . . some important reforms have been the result of them."

The way for Parliament was clear, and before Gladstone's day considerable progress had been made in two directions: first, a Consolidated Fund Act had given order to the financial chaos; and secondly, the House of Commons had been presented with Finance Accounts and Appropriation Accounts by way of re-education.

As to the first, it is difficult to realise the extent of the confusion, before the days of the Consolidated Fund, which had grown up under the negligence of the Whig aristocracy. The Commissioners of Public Accounts in 1785 called attention to the complications of earmarking particular public charges to particular sources of revenue. There were seventy-four charges, involving seventy-four separate accounts, which were imposed on the revenue from Customs Duties. The Militia charges were imposed on the proceeds of the Land Tax, and certain



hereditary annuities on the profits of the Post Office. The Commissioners rightly recommended that there should be "one Fund into which shall flow every stream of the public revenue and from whence shall issue the supply for every public service." Parliament definitely carried out their recommendation in the Consolidated Fund Act two years later, did the same for Ireland in 1816, and then consolidated the two funds into one Consolidated Fund of Great Britain and Ireland. When the old Exchequer was abolished in 1834, and the custody of the Consolidated Fund was undertaken by the Banks of England and Ireland, it was possible for Members of Parliament, if they chose, to have some grasp of the revenue and expenditure of the State. The importance of the Consolidated Fund Act of 1787 cannot be exaggerated. It put an end to the old financial system of the Whig aristocracy, which was chaos and darkness, and made possible the new financial system of the age of Gladstone, which might have been full of light and vitality. It made possible, also, the annual statements of revenue and expenditure which form the background of Parliamentary control—that is the Finance and Appropriation Accounts.

It will hereafter be explained that for information on which to base an intelligent and effective control of expenditure, from the point of view of its merit, these accounts are quite worthless. But where hitherto there was no financial information before



Parliament whatsoever, these accounts were in their day a great reform. The Finance Accounts appeared in 1802. From 1689 until 1802 the House of Commons had had no information as to how much money went into the Exchequer, or how much was issued therefrom or how it was spent by the Departments. In 1802 Finance Accounts were prepared to show the receipts and issues of the Exchequer. They were not based upon the audited expenditure conducted by Pitt's Board of Audit: they showed only the imprests issued from the Exchequer to the Departments; they did not show how the Departments had expended them. They were essential for the control of taxation, but not for the control of actual expenditure. In 1832 the first Appropriation Account appeared, and that, for the first time, showed the audited expenditure of a Government Department. The credit for the reform was due to Sir James Graham, who became First Lord of the Admiralty in 1831, and did not scruple to remodel the organisation which he found dating back to the days of Elizabeth. His speech in moving the Navy Estimates in that year is worthy of record. They had previously too much neglected, he said, "the details of the Estimates in their anxiety to effect a tangible reduction of the general sums of the Votes. Had they not been so much occupied in pointing out savings, they would have effected much benefit in investigating how far the actual expenditure under

each head squared with each estimate. The only remedy which he saw was to lay before the House annually a balance sheet, in which would be specifically placed under each head the actual expenditure of the Navy and Victualling Boards." Parliament thereupon passed in 1832 an Act requiring such an account to be presented, and the Navy Appropriation Account thenceforward was an annual event. In 1846 Parliament passed another Act requiring the War and Ordnance Offices to do likewise, and in 1851 the Woods and Works Votes were similarly accounted for. With these promising signs the transitional stage passes into the formality of the age of Gladstone.

#### IV.—THE AGE OF GLADSTONE

The age of Gladstone restored the *forms* of Parliamentary control, and indeed elaborated and perfected them: but instead of restoring the spirit, it killed it. This is all the more inexcusable because, in the transitional stage, it seemed as if not only the form, but the old spirit, of Parliamentary control was about to be revived.

Gladstone became Chancellor of the Exchequer for the first time in 1852, and thereafter set the tone of public finance that lasted long after his resignation in 1894, and permeated even the brighter atmosphere of the reign of George V. How far he was interested in the scientific control of public expendi-

ture it is difficult now to measure ; it has, however, been recorded that he used to turn the labels of his despatch boxes to save paper and the Votes of the Stationery Office. It may have been unnecessary for him to have gone further, for he had subordinates in the Civil Service, such as Sir William Anderson, Mr. Childers of the Treasury, and Mr. Macaulay of the Audit Office, who conscientiously carried out in departmental code his scrupulosity for outward form and order. His permanent achievement was to focus the attention of Parliament on the formal regularity of expenditure in accordance with estimate and appropriation, rather than on the management of public expenditure in accordance with efficiency and economy. He it was who made Appropriation the idol of Whitehall, and was the first of a long line of worshippers. He it was—to change the metaphor—who made of Parliamentary control a whited sepulchre, hiding the corpse of national economy.

There would, of course, have been good in the completion of the forms and ceremonies of Parliamentary control if only it had not stopped with the formality. Gladstone merely finished work which had already been begun. Thus, as regards Parliamentary grants : there had been votes since the Revolution, with estimates of expenditure and appropriation to services ; but they had been limited, and under Gladstone's age they were extended and

rounded off. For instance, the expenditure of the Revenue Departments in collection and administration had never been the subject of a vote, being defrayed out of the gross revenue. Gladstone, when Chancellor of the Exchequer in 1854, brought in a Bill providing for estimates of the expenditure of the Customs, the Inland Revenue and the Post Office Departments, to be laid annually before the House and grants therefor to be voted. Again, as regards current payments, there had hitherto been several Paymasters—the Paymaster of the Forces, the Treasurer of the Navy, and the Paymaster for Civil Services and for Exchequer Bills. By 1856 these different pay offices were consolidated into the single Office of the Paymaster-General, and cash balances in the hands of the Public Accountants to the Crown, being thereby consolidated, were therefore able to be diminished. Or again, as regards audit of accounts, the formal control of the House of Commons was perfected and perpetuated by the creation of a standing Select Committee on Public Accounts and a standing Comptroller and Auditor General. Herein Gladstone was merely giving later effect to the work of the Select Committee on Public Moneys of 1856, whose chairman, Sir G. C. Lewis, had then succeeded him as Chancellor of the Exchequer. The Committee, which included Sir Francis Baring and Sir James Graham, being supported by the memoranda of Sir William Anderson, then head of

the Finance Division of the Treasury, recommended first, that all other departments should present audited accounts, as did the Admiralty, the War Office and the Offices of Woods and Forests and of Public Works; secondly, that these "audited accounts should be annually submitted (directly) to the revision of a Committee of the House of Commons to be nominated by the Speaker"; thirdly, that the Audit Board should be reconstituted and the position of its chief strengthened. In other words, the Committee disposed once for all of the idea that any effective control could be exercised by watching the issue of money by way of imprests from the Exchequer. It persuaded Parliament of the necessity for watching how the imprests had been spent, for examining, that is, annual statements of audited expenditure of all branches of the public services. Hitherto, the accounts of the Revenue and Civil Departments had not been presented. Further, it brought out the imperative necessity that audit of, and report on, all public accounts should be made by officers of Parliament, independent of the executive and responsible only to Parliament. In 1861 Gladstone, back again in the office of Chancellor, moved and carried the appointment of the Public Accounts Committee as a Standing Committee. In 1866 he brought in the Exchequer and Audit Bill which carried out the remaining recommendations of the Public Money

Committee. The former Comptroller of the Exchequer and Board of Audit were thereby replaced by a single officer, the Comptroller and Auditor General, who was to be independent of the Executive and responsible to Parliament for the correct issue of money from the Exchequer in accordance with the Appropriation Act, for the examination of the departmental accounts, and report thereon to the Public Accounts Committee. The Appropriation Accounts of all departments thereafter came under review by a Standing Committee of the House of Commons, including, after the Army and Navy Audit Act of 1889 the Expense Accounts of Shipbuilding and other manufacturing accounts of the Navy and Army, after 1890 the Ordnance Factories Accounts, and after 1889 the Accounts of the Revenue Departments. For the purpose of the formal control of expenditure by Parliament, these Gladstonian reforms (let it be repeated) were of primary importance. As Sir William Anderson told the Public Moneys Committee, it was useless for Parliament to control the amount of public grants and to direct their allocation, without seeing from audited accounts of the whole public service whether the appropriations had in fact been followed and the amounts had not in fact been exceeded.

It appeared to Lord Welby, giving evidence under the spell of Gladstonianism before the Select Committee on National Expenditure in 1902, and with

a natural desire to put in a word for his colleagues at the Treasury, that "the control of Parliament over the expenditure is now and has been since 1866 complete. . . . The new system has converted the nominal control of Parliament into a real control." True, the forms of Parliamentary control were complete, but the scientific control of expenditure, having in view efficiency and economy in administration, was no nearer realisation. For instance, the host of financial committees ushered in by the age of Gladstone were, from that latter point of view, wholly useless. The utmost that can be said in favour of them is that their work was solid and their labours were unstinted. There was the Committee in 1885 on Expenditure and Liabilities incurred by the Admiralty, the Committee in 1887 on Army and Navy Estimates, the separate Committees in 1888 on Army Estimates, on Navy Estimates, and on the Revenue Departments, all of which waded through the remotest details of the administrative system. For solid information their reports are invaluable; and they showed that work which Government Departments would have shirked, and which the House of Commons as a body could never have attempted, could be done by the occasional Select Committee. But they merely tinkered with the financial system: they did not consider or recommend how control of expenditure could be secured in the Departments. The truth was, that their



inquiries could not be effective as long as the Estimates and Accounts which they inquired into were a series of non-significant figures. That is a matter which shall have later explanation.

Meanwhile it is sufficient to state that the aftermath of Gladstonian financial formalities was the loss of Parliamentary interest in control of public expenditure. The testimony of Bagehot, writing in *The English Constitution*, is, for these purposes, sufficiently conclusive:—

“ The House of Commons—now that it is the true sovereign and appoints the real executive—has long since ceased to be the checking, sparing, economical body it once was. It now is more apt to spend money than the Minister of the day. I have heard a very experienced financier say: ‘ If you want to raise a certain cheer in the House of Commons, make a general panegyric on economy; if you want to invite a sure defeat, propose a particular saving.’ . . . The members who are for the expenditure always come down; perhaps a constituent or a friend who will profit by the outlay, or is keen on the object, has asked them to attend; at any rate, there is a popular vote to be given, on which the newspapers—always philanthropic, and sometimes talked over—will be sure to make encomiums. The members

against the expenditure rarely come down of themselves; why should they become unpopular without reason? The object seems decent, many of its advocates are certainly sincere; a hostile vote will make enemies, and be censured by the journals. If there were not some check, the 'people's house' would soon outrun the people's money."

Now this was written in the heyday of Gladstonianism, and is a contemporary's witness to the fact that formal control of Parliament over expenditure is not coincident with national economy.

The lesson of history, as always, is plain and ironical. The real spirit of Parliamentary control of expenditure was born of strife—of the struggle of Commons against Crown—beginning in the fourteenth century. When the Crown had been conquered in the seventeenth, the spirit died out of sheer enervation. Whereas the Legislature was exercised in real economy when the Executive was the Crown and irresponsible, it ceased to be so exercised when the Executive was the Cabinet and constitutionally responsible to the Legislature. Reaction followed naturally after the victory of the Revolution. Similarly, reaction followed after the Gladstonian formalisations of financial control. Whereas the Commons inquired into the merit of expenditure when details of expenditure were

withheld from them, they never troubled about it when appropriation accounts and voluminous departmental appendices were laid annually upon their Table. That, as will now be explained, was because they were misled into the pursuit of the form without the substance.

## CHAPTER V

### MODERN CONTROL: PARLIAMENTARY METHODS

#### I.—FINANCIAL PROCEDURE

THE statement which follows of the financial control exercised by the House of Commons at the present day is partly historical and partly critical. It is historical in the sense that it is written of the system obtaining before the Select Committee on National Expenditure of 1917-18 proposed its reformation. It is critical in the sense that it was written while that system was still tolerated, with the object of pointing out its defects. In any case it is necessary, for the understanding of the modern problem of financial control, to set out the reasons why the present-day House of Commons fails, and in what respects the Select Committee on National Expenditure has initiated reforms. It will then be legitimate to draw some conclusions as to how the public expenditure really can be controlled.

It must be remembered that the present system of control, which the Select Committee on National Expenditure has attacked, is a system under a democratic form of government. It therefore depends

(apart from delegation of financial business to committees) upon financial criticism and debate in the Chamber of the people's representatives.

There are several causes which go to make financial criticism and debate in the Chamber a futility. Parliament is handicapped, first and internally, by its own rules of financial procedure and the political character of its discussions; secondly and externally, by its lack of intelligible financial information. In other words, the House of Commons fails, primarily, because it does not set about it in the right way; and secondarily, because it has not the right material to work on.

The methods which the House of Commons uses—the primary and internal cause of its failure—are largely the result of heredity, as regards procedure, and, as regards politics, largely the effect of modern environment.

For purposes of financial control the rules of procedure may have been helpful in their own day, but are chiefly a hindrance in this. The character of financial control has changed. It has lost the personal character of a dispute between Parliament and King, and has taken on the more impersonal character of a pursuit of science—the science of national economy. Yet the House of Commons pursues national economy with the same rules of procedure it used when disputing with Kings. Just as its legislative procedure follows to-day the same course

of three readings for a Bill, as it did in the sixteenth and more or less in the fifteenth centuries, so its financial procedure to-day follows principles designed to meet conditions that have now been outgrown by centuries.

Consider these rules of financial procedure in origin and in survival. In the first place, the demand for money is made by the King in his speech at the opening of each session of Parliament. The King does not, in these days, touch the expenditure of the public money : yet he still asks for the money, the Estimates are still put forward in his name, and money is still voted to him personally. This fiction is to lead, at later stages, to further empty, and sometimes dilatory, ceremonies in the granting of the public supplies. But the King demands the money in the beginning because the House of Commons cannot vote the money unless he does. This circumlocution arises out of the historical Resolution of the House in 1706 : " That they would receive no petition for any sum of money relating to public services but what is recommended from the Crown " —which was made a Standing Order in 1713, and brought up to date in 1852 and 1866. It was the result of the great number of petitions that were presented to the Commons in 1705, from persons either claiming an arrear of pay as officers or making some other demand, which was promoted by politician friends with more sense of charity than economy.

The Resolution certainly restricted those petitions in 1706, and the Standing Order is certainly salutary which now forbids the voting of money except at the demand and upon the responsibility of Ministers of the Crown. Thereby the evils of the American system of Appropriations, moved promiscuously by private members ingenious of devices to spend the public money, have been avoided. But from the point of scientific financial control it is unfortunate that these evils are not avoided without the dilatory paraphernalia of the royal demand for money or the absurdity that when the more enlightened politician of to-day is convinced that more should be spent, say, on the people's education, he has to move to reduce the vote of money, which he does not consider enough. A motion to grant more has been out of order since 1706.

The consideration of Estimates is delayed on account of the principle, established in the beginning of the fifteenth century, that redress of grievances must precede Supply. The motion is made "That the Speaker do leave the Chair," and, on an amendment thereto, a full-dress debate is held on general administration. It will be remembered that Parliament was called into existence by a King desirous of his subjects' money to meet his "extra-ordinary" needs, and that the King's subjects seized this favourable opportunity of meeting together to ventilate their grievances. Yet, although the modern House of



Commons has the remedy for grievances in its own hands, it still wastes its financial time in discussion on procedure arising out of fifteenth-century needs. The same kind of discussion, by the same people, will be repeated on the Estimates proper.

When the Speaker has at last been allowed to leave the Chair, the Committee of Supply is set up, and the real business of considering the Estimates begins. But the Committee of Supply is not a Committee: it is the whole House disguised as a Committee, and the same people are there as before. The absurdity of entrusting the colossal and complicated business of Government finance to whosoever shall attend out of 670 indifferent members, is not minimised by calling the chance gathering a "Committee." The fact is, that the whole House is called a Committee, inasmuch as it was resolved in 1667: "That if any motion be made in the House for any public aid or charge upon the people, the consideration and debate thereof ought not to be presently entered upon but adjourned till such further day as the House shall think fit to appoint; and then it ought to be referred to the Committee of the whole House." The first part of that Resolution has been made meaningless by modern practice. In 1667 the restored House of Commons was not to be rushed into expenditure by Parliamentary friends of Charles II. It was not to be caught unprepared, as it was in 1522 when Cardinal Wolsey strolled into its

Chamber and wrung out of it £800,000. In 1667 the Commons considered it their first duty to delay and obstruct the demands of the Crown for money. As John Hatsell naïvely remarked, writing in 1776 in his *Precedents*: "That the members should not be surprised into a vote, but might come prepared to suggest every argument which the importance of the question may demand." But the modern practice is for the "motion made in the House" or "setting up resolution" to be passed without mention of the amount to be voted: the purpose of the first part of that Resolution, as Hatsell saw it, is quite forgotten. If modern practice is thus out of keeping with the intention of the first part, the second part of the Resolution is out of keeping with modern conditions: "and then it ought to be referred to the Committee of the whole House." It is clear there must be some Committee, for "there," as Hatsell argues, "every member may speak as often as he finds it necessary; and is not confined by those rules which are to be observed when speaking in the House." But a Committee of the whole House is the worst form of Committee, and it survives for Supply to some extent because the Commons secured greater privacy and independence when the whole House, as a Committee with Chairman, avoided the Speaker who was liable to be an agent of the King's, but chiefly because, when the Committee system grew up under Elizabeth and James I, there

was always difficulty in obtaining a quorum. The tendency in those days was to include in important Committees all members who were willing to attend because they were so few that did attend—for Parliamentary duties were still regarded rather as a penalty than a privilege—and thereby the system emerged of Grand Committees and of Committees of the whole House. The policy was mistaken. A quorum in Committee of Supply is even now not always easy to find, nor will be as long as the Committee is a Committee of a whole House of indifferent members.

Much of what has been said on the motion "That the Speaker do leave the Chair" is now repeated when this Committee of the whole House begins to consider the Estimates, presented by the Government, of the funds required to carry on the public services. The nature of these two debates on the same subject will be examined later. The Committee of Supply is supposed to vote supplies for the Army, Navy, Air and Civil Services. It does so under difficulties. Before the end of the financial year, March 31, the Government must have statutory financial provision to "carry on with" during the first months of the next financial year, and Committee of Supply has to rush through Vote I in the case of Army, Navy and Air Services (which are privileged to break the principle of Appropriation temporarily by applying the surplus on any one of

their votes to any other vote) and a Vote on Account for the Civil Services (which are not so privileged), and leave the rest till what days are allotted to it later on in the Session. And although business methods in modern finance are all important, some disregard of them occurs, with more of paper and print, in formal application at the end of each day's work for leave to sit again. Apart from that the early eighteenth century laid it down that once Supply was closed, Committee of Supply could not be started again without a fresh Message from the Crown. That, again, is another result of the general fiction that the money is granted to the King personally, and of the particular Resolution in 1706, "that they would receive no petition . . . but what is recommended from the Crown."

Not only do ancient rules of procedure embarrass the work of Committee of Supply, but they prevent it from finishing its work at all. The ordinary Votes for Supply, when passed, are quite inoperative until they have been formally passed over again in Report of Supply, and that must be deferred to some future day on account of the Resolution of 1667, that any motion for a charge upon the people ought not to be presently entered upon but adjourned. The same discussion is maintained by the same people, but the House is now called a House, and the Speaker has taken the Chair. Of this stage it has been truly said; "It is not even an appeal

from Philip drunk to Philip sober. It is at best an appeal from Philip half-awake to Philip half-asleep."

Not even yet can the soldier, sailor, airman, or policeman draw his pay. Now that the House, on Report Stage, has decided to issue money to the King, the Speaker leaves the Chair "without question put," and another Committee of the whole House—the Committee of Ways and Means—decides to issue it in the only way it can be issued—out of the Consolidated Fund. Thereupon the Speaker returns, and Report of Ways and Means formally confirms that quite superfluous decision. This process of putting from the Chair again in Committee of Ways and Means the sums already voted in Committee of Supply is the foundation for the later, and again superfluous, stage of Consolidated Fund Bills.

The division of the process of authorising the issue of money into two is illogical, but again historical. There is no logical reason why one Committee should authorise the grants and another Committee should authorise the *issue* of the grants out of the Exchequer, but when the two Committees—of Supply and of Ways and Means—developed in the reign of Charles I they followed close upon each other. The Commons would consider in Supply what it would grant and immediately afterwards, in Ways and Means, how it would raise the money for the grant. It would then authorise the issue of the grant from the Exchequer. Even as late as 1714 and 1721 there were occasions

when the difference between the two Committees was forgotten. But as the two Committees separated in the Parliamentary time-table, and each grew more comprehensive, the actual authorisation of the *issue* of the grants was allowed—either because no one thought of it, or because some one thought that it would delay the King's demands—to remain part of the Committee of Ways and Means, and thereby to become separated from the authorisation of the *grants* in Committee of Supply. The chance separation of two Committees in previous centuries has been the cause of another complication and delay in the financial procedure of the modern House of Commons.

Nor is the end yet. There must be confirmation by Act of Parliament. One Consolidated Fund Act has to be passed before the end of March. It passes through all the well-known stages of first reading, second reading, Committee, Report, third reading—a day must intervene between the second and third readings for the formal Committee Stage<sup>1</sup>—in *each* House of Parliament, inasmuch as it was so devised in the sixteenth century, before it receives a Royal Assent which could not be refused. The grants are at large, and the Treasury may issue any part of them for any supply granted in spite of Treasury

<sup>1</sup> In August 1914 the first Vote of Credit passed for the War was inserted in the Committee Stage of a Consolidated Fund Bill, which happened to be in course of passing.

scrupulosity for Appropriation. The business is urgent because, unless some money is granted before April 1 of each year, it becomes illegal to pay soldiers, sailors, airmen, or postmen, and the Crown would become a tyranny based on unauthorised armed forces. A second Consolidated Fund Act will be necessary later on. The solemn Appropriation Act, which follows last—towards the end of the Session—splits up the lump sum granted, by appropriating each particular vote granted in Committee of Supply to the services of that vote. In other words, it appropriates the money, when much of it has been spent. Further, it authorises the issue of the balance required to make good the Supply already voted but not previously authorised by Consolidated Fund Acts. And before each instalment of Supply can be issued from the Exchequer, there must be a warrant to that effect under the Royal Sign Manual. That is yet another of the dilatory and empty ceremonies arising out of the fiction that the money is demanded by, and voted to, the Crown personally.

It is useful to remember that these are merely the rules of procedure in survival. Since 1832 there have been some fifteen Committees, besides those Committees devoted to Private Bill procedure, set up to reform and simplify the procedure of the House. Of the ninety-five Standing Orders which these Committees have passed down, only three of those



dealing with finance date from the eighteenth century. The majority are earlier. It will not be denied that these venerable anachronisms waste the time of the modern House of Commons, and discourage, even if they do not actually prohibit, sensible criticism of the national expenditure. Past methods are being applied to present-day conditions without any understanding of the origin of the former, or any appreciation of the needs of the latter. One of the axioms that Professor Adams lays down in his *Science of Finance* is, that "a successful financial system will conform to the political ideas which, for the time being, control society, and adjust itself to the particular structure of the political society to which it applies." That is a truism which should need no repetition. Yet the English financial system of to-day still conforms to the political ideas of a society governed by a monarch in person.

Consider, for instance, the debating of general matters in Supply. There are actually eighteen times *before the 1st April* when that privilege can be exercised in Supply alone—four times on getting the Speaker out of the Chair (on grievances), twice on Army Estimates (Vote A and Vote I), twice on Navy Estimates (Vote A and Vote I), twice on Air Force Estimates (Vote A and Vote I), once on the Vote on Account for Civil Services, and finally on the Report stages for Vote A and Vote I of the Army, Vote A and Vote I of the Navy, Vote A and

Vote I of the Air Force, and on the Vote on Account for Civil Services—and the same opportunity occurs on the Consolidated Fund Bills all before, and again many times after, the 1st April, and finally on the second reading of the Appropriation Bill! Yet, under present conditions of government, these privileges of debate of generalities in Supply are not only unnecessarily numerous but have been largely abused.

Or again, consider all the rules of procedure that originated in the seventeenth and early eighteenth centuries. It was in those days considered the first duty of all patriotic Parliament men to delay, postpone, or obstruct the royal demands for money, and their rules of procedure were ingeniously devised with that end in view. Yet time is still wasted at Westminster to-day by conforming to these ancient rules, albeit there is no such distrust, financially, of the executive power, but, on the contrary, an advantage in dealing expeditiously with the increasing volume of Government financial business.

If the whole financial system in Parliament is out of keeping with modern needs and conditions, it is not to be expected that members of Parliament will pursue with any enthusiasm the science of national economy. The deadweight of historical procedure does not encourage live financial criticism. The House of Commons cannot set about the control of the popular expenditure in the same way that it set about the control of unpopular monarchs.

## II.—FINANCIAL DEBATE

Apart from rules of procedure, financial criticism in the chamber of the House of Commons is further obstructed by the political character of financial debates.

Expenditure depends, partly upon policy, and partly upon the methods by which the policy once settled is carried out. The Cabinet is responsible for the former solely and for the latter ultimately. Control of expenditure by the House of Commons is, therefore, dependent upon the degree of its control of the Cabinet. The tightening of the party system has, however, resulted in the weakening of the position and status of the House collectively, and of the private member individually, as against the Cabinet *in esse* or the Cabinet *in posse*. This is the second cause of the Commons' failure, from the internal point of view, to control the Executive's expenditure. Financial criticism has become merely political or party criticism.

Control of expenditure was never recognised as a thing apart from the control of the Executive, that is, apart from politics. When the Revolution virtually changed the form of government, the forms of Parliamentary procedure of the seventeenth century, devised when Parliament and Crown were locked in struggle, were still preserved, and thereby the procedure of the House of Commons acquired

once for all the procedure of an opposition. Even in the eighteenth century, when the strife of parties under Bolingbroke and Harley, under Walpole, Pelham and Pulteney, under the two Pitts, under Fox, Rockingham, Burke, North and Shelburne, was carried on in its most gentlemanly manner as between men of equal, and high, social standing, the manifold forms of financial discussion furnished the framework into which the "Parliament men" could insert the motions arising out of the political situation or party tactics. But there was no suggestion, in that period of noble oratory, of obstruction. Nor was the Government pressed for time. It was conservative, and its domestic legislation was confined to small alterations in administrative law. It had no need as yet of limiting the time for discussion to get through its Parliamentary duties. But in the nineteenth century financial criticism in the House of Commons began to be seriously affected by party politics. The process may be traced back to the Catholic Emancipation Act of 1829, which let in the Irish who had political grievances, and to the Reform Act of 1832, which let in democratic legislation. Both changed the social tone of party contests. There was, after 1832, a constant stream of domestic reforms on a large scale, and, in the last quarter of the century, a constant stream of obstruction from an irreconcilable Irish party. The result of both was the tightening of the party system.

Thereby the chances of financial control by debate in the House of Commons were practically lost.

The party system of Government was tightened in two directions—first, by the continuous extension of the rights of the Government over action in the House; secondly, by the growing suppression of the private member. As regards the first, Cabinet control over Parliamentary time and action was made inevitable by the continued increase in Government business and was hastened by the sudden success of Irish obstructive tactics. As the routine financial business of the House was the main avenue for obstruction, it meant that the time allotted for financial criticism had to be seriously curtailed. Parnell was not the inventor of obstruction—another Irishman, O’Connell, has greater claims thereto—but he developed it to a fine art. He found that Committee of Supply gave him splendid opportunities. On the 2nd July, 1877, during discussion of the Estimates, he kept the House in perpetual check from two in the afternoon till seven in the morning by alternate motions “that the Chairman do now leave the Chair” and “to report progress.” The result was the Resolution of 1879—following the recommendation of the Committee on Procedure of 1878—that amendments on the occasion of going into such Committee, amendments, that is, to the motion that the Speaker do leave the Chair, should only be allowed on a day when a new division of the Estimates was

being taken, not at subsequent sittings. But that did not stop Parnell, and in 1881 Gladstone was forced to bring in the urgency rules, giving greater power to the Speaker. These introduced the memorable Closure order.

Mr. Balfour completed the story by the financial procedure reforms which he began in 1896, and continued in 1901 and 1902. These introduced the principle of fixed time limits. Twenty days—the average time spent on Supply in the years previous to 1902—being before 5th August, were allotted to the Annual Estimates, with an additional three days if demanded. At ten o'clock on the last day but one of the twenty, the Chairman must forthwith put every question necessary to dispose of the Resolutions; and at ten o'clock on the last, the Speaker must forthwith put every question necessary to dispose of the Report of the Resolutions. The rules are called reforms, and were certainly conceived in the interests of Parliamentary expedition; but it is obvious that the device of closing discussion within a definite time does not promote scientific criticism of Government finance. The application of rules as to closure does not change the character of the discussions: it will be shown that time is still wasted in discursive and political debate. The result is that between one-third and a half of the total expenditure of the year is voted in an hour or so on the nineteenth day without any sort of criticism or

debate. That is how the necessary tightening of the party system of government, by way of increased powers to the Cabinet over Parliamentary time, reacted upon Parliamentary control of expenditure.

In the second place, the greater suppression of the private member left no hope that debates on financial business would become financial rather than political. The increase in obstruction, concurrent with the increase in legislative business, made party discipline essential on either side, and the private member was quite unable to resist the progressive superiority of the Treasury and Opposition benches. There can be no honest criticism of a financial question unless individual members can exercise their individual business instincts; and the individual member is therein handicapped by the fact that the Cabinet or his party has control not only of his money but of his life. The knowledge that the Cabinet can always involve every Member of Parliament in the expenses of a new election (and in these days possibly take £400 a year from his income) will always act as a mild deterrent upon wholesale and indiscriminate financial criticism of Government administration. The unlimited power which the party organisation has of helping the individual member for good, or opposing him for evil, has the same effect. It was, therefore, inevitable that financial debates should be conducted on non-financial lines, that is, on party-political lines. As the party system tightened, financial, as



apart from political, criticism disappeared. An understanding now exists between the parties whereby the Opposition selects the Supply for discussion.<sup>1</sup> The result is that the Opposition selects the subject which is the most likely to combine an attack on the Government. The consequences of which are two-fold and, from the point of view of financial control, disastrous.

First, seeing that financial debate is merely political debate, the Cabinet generally treats an adverse vote in Committee of Supply as a vote of want of confidence. Whereas the Cabinet can tolerate criticism of its Budget, and can survive the carrying of an adverse motion on the amount of money it hopes to raise, it cannot as a rule survive one on the amount of money which it deems necessary to spend. However honest the economist may be who proposes a diminution of expenditure required for Supply on purely financial grounds, his motion will yet be debated from the point of view of politics but not finance. Under such conditions, it is clear that financial control by Parliamentary debate is reduced to an absurdity.

Secondly, again seeing that financial debate is merely political debate, the power of calling Ministers to account for their departments' expenditure is

<sup>1</sup> Of the twenty Supply days, the understanding is that the Irish have a call of two days, the Labour Party one, and the Opposition the balance of seventeen.

likewise reduced to an absurdity. Parliament is the court before which Ministers must give account of their stewardship. The whole case of Parliamentary financial control rests upon that responsibility of Ministers to Parliament. Wise economy will only be exercised in the spending departments of State when the Minister in charge knows that for unwise expenditure he will be called to account by an alert and financially critical House of Commons. But the Minister knows that nothing of the kind could possibly happen. He is aware that politics are talked in the House and not finance, and that, however little he may know about the financial details of his department, the Member of Parliament will know even less. He is, indeed, the first to lead financial debate in the House from the deep water of finance to the shallows of personalities and politics. He introduces his Estimates not with financial statistics in significant form, but with a rosy picture of his department's achievements in the general sphere of administration. He appeals to the Members' sentimentality, not to their business instincts. This is part and parcel of the political system. The Minister is a politician and is chosen, when he sits in the Commons, rather for political reasons than for administrative ability. A Minister whose popularity in the Chamber will mollify political opponents is preferred to the Minister whose administrative accomplishments would satisfy finan-

cial critics. That is because financial criticism has no place in Parliamentary debate; and because the power which Parliament has of calling Ministers to account for their expenditure of public moneys is rarely exercised on purely financial considerations.

The Select Committee on National Expenditure of 1902 reported plainly on the pass to which affairs had then come. It had heard much evidence in support of the view, as stated by one witness, that "the mass of speeches that are made in Supply before the House of Commons are speeches made on behalf of those who have grievances, their friends or constituents. . . . If you take speech after speech you find that they are simply to the effect 'We want more'—and they get more." The Committee reported: "The colour of the discussions is unavoidably partisan. Few questions are discussed with adequate knowledge or settled on their financial merits. Six hundred and seventy Members of Parliament influenced by party ties, occupied with other work and interests, frequently absent from the chamber during the twenty to twenty-three Supply days, are hardly the instrument to achieve a close and exhaustive examination of the immense and complex Estimates now annually presented. They cannot effectually challenge the smallest item without supporting a motion hostile to the Government of the day: and divisions are nearly always decided by a majority of Members who have not listened to

the discussion. Your Committee agree in thinking that the Estimates are used in practice—perhaps necessarily by the Committee of Supply—mainly to provide a series of convenient and useful opportunities for the debating of Policy and Administration, rather than for the criticism and review of financial method and of the details of expenditure.”

That was the position in 1902, but it is the same, or worse, at the present day. There is never any sign of live financial criticism in Committee of Supply. In discussion of Supplementary Estimates, where there is the rule that no question of policy can be discussed unless the vote embodies a new policy, there may be some real investigation of detail; but in discussion of ordinary Estimates there are only first-class debates on policy or third-rate debates on administrative gossip. There is never an attempt to demand a scientific analysis of expenditure by cost accounts and statistical returns, to discover, for instance, the proportion of directing staff to subordinate, or to consider whether from the capital expenditure involved the State is obtaining adequate returns, or to reduce the results of administration as far as possible to money values for purposes of comparison. Debate in Committee of Supply still ranges from high policy to personal grievances, but has never reached the level of purely financial criticism. On Army Estimates Members have been heard to discuss, as a matter of high policy, the personal

character of Army Generals, or, as a matter of administrative detail, the wisdom of the War Office charging some officer constituent with the cost of his false teeth. To-day, as it was in 1902, discussion in Supply descends to the personal, technical, or political.

It is not suggested that these are evils which are due to the party system, or that the party system is necessarily a bad form of government because it tolerates them. It is merely that politics have been allowed to affect finance, political considerations to colour financial considerations: and that is a danger neither peculiar to, nor unavoidable in, government by party. The degradation of financial control is even more complete in 1918 after four years of a party truce.

The War can hardly be said to have taken away what did not exist before, but it has completed the fiasco of Parliamentary control of expenditure. In war, estimates for the public services are not put forward, and the Cabinet assumes complete responsibility. But apart from that, the Commons are not likely to raise financial questions which will be treated, in the usual style, as votes of want of confidence. No Member of Parliament is anxious to turn out the Government in the middle of war, on a point of economy in administration. Moreover, the unreality of the power of calling Ministers to account is, at the present time, even more palpable. There

have been Heads of Departments who have not been Members of the House of Parliament that alone could call them to account, and there is a group of Ministers—the War Cabinet—who are virtually exempt from Parliamentary control and are yet the largest spenders of the public money. Millions are therefore expended without any form or opportunity of Parliamentary criticism. Some instances were fairly stated in the House of Commons on January 29, 1918, by the Chairman of the Select Committee on National Expenditure: “Additional sums are being paid in increased pay to the officers of the Army and Navy, and this amounts to £7,350,000. Bonuses or wage advances to miners cost £20,000,000 a year; to munition workers, direct and also indirect—that is to say, to those who are employed by contractors and not paid directly by the State, but whose increased wages will ultimately appear as a charge upon the State as higher prices in contracts—these munition workers together, directly and indirectly, receive £40,000,000; railway workers receive a further £10,000,000; the Civil Service receives £3,000,000 in this way, the Irish teachers £170,000 and the Irish police £100,000. Then there is an additional Grant to the National Insurance Fund of £400,000. The total of those twelve or thirteen increases, all granted since the Committee was appointed last autumn, is £196,170,000 or close upon £200,000,000 a year.

Some of us cannot help feeling, when we are engaged day by day in suggesting fresh economies in various directions, that we are merely baling out water with a sieve, so long as in other directions such large increases are continually being granted."

That expenditure can be incurred in so loose a way, even in war, without universal protest from the House of Commons, is merely the logical conclusion of the outworn rules of financial procedure which it has inherited, and the eclipse of financial debate which it has suffered under its political system.

### III.—DELEGATION TO ESTIMATES COMMITTEE

It should not be unmentioned that attempts have been made to reform these particular evils before that of the Select Committee on National Expenditure in 1917-18. In 1888 a Committee on Procedure in Grant of Supplies was set up to examine the extent to which economy and efficiency were secured by the examination of Estimates in Committee of Supply. Its opportunity was to reform that Committee's procedure. But although it agreed that "the actual reduction of Votes by Committee of Supply has been apparently slight in proportion to the amount of Parliamentary time occupied in consideration of Estimates," it thought fit to report that "no doubt discussion in Committee of Supply has considerable effect in preventing increase of expenditure." It decided against the creation of a Standing Committee



to examine Estimates, but at the same time it recommended the experiment of a Standing Committee examining each session a certain class of Estimates.<sup>1</sup> It was not conspicuous for any definite opinion.

There the matter rested until a Select Committee on National Expenditure was appointed in 1902. It did more positive work. Its primary recommendation was the appointment of a Standing Committee on Estimates to deal each Session with certain classes of votes. It recommended also that greater opportunity be given to the House to consider and discuss Estimates, and that the powers of the Treasury, the Comptroller and Auditor-General, and the Public Accounts Committee, be extended. It recommended; further, that more financial information should be laid before the House; that there should be presented annually, with the Estimates, more detailed information as to new expenditure and a statistical statement showing the variation of each vote during a period of ten years. But these latter were the least valuable of its suggestions. They were carried out, and amounted; as will hereafter be explained, to very little.

The recommendation for a Standing Committee on Estimates was not carried out until 1912, after a memorial had been signed by Members from all

<sup>1</sup> There had been a Select Committee on Army and Navy Estimates in 1887, and three more in 1888 on the Army, Navy and Revenue Departments.

parts of the House. It was then realised that the time which offered greatest opportunities for effecting economies was the time before expenditure was incurred; that the most effective Parliamentary control was that exercised by examination of Estimates before their final approval; and that the Chamber offered the worst advantages for that examination.

But it is generally recognised that the Estimates Committee has been a failure, though it was most carefully designed. The War has only saved it from extinction by putting it in a state of suspended animation.

It had obvious difficulties to contend with. The nature of the work was new to the Committee, and it had no Comptroller and Auditor-General to be its acting hand. It had to tackle the complications of the Estimates with no permanent civil servant to lighten its darkness. It had expert witnesses, but the witnesses were the Treasury and departmental officials who had drawn up the Estimates and were naturally not inclined to see in them opportunities of effecting further economies. But the real causes of its failure were more fundamental than these. In the first place, it was forbidden to discuss policy, lest it should encroach on Ministerial responsibility, and it was provided, in its terms of reference, with no precise definition of what "policy" meant. Without such definition it could not be expected to make any definite stand. In the second place, it only took

each year a fraction of the Estimates, and, at the rate of progress it made, it would scrutinise the whole of the Estimates only once in ten years. In 1912 it dealt with some Civil Service Votes, in 1913 with Navy Votes, in 1914 it began on Army Votes. Its control of current expenditure could never, at such a rate, amount to much. In the third place, it was not allowed to delay the submission of Estimates to the House, and that meant, with its slow rate of progress, that it generally reported on them after they had been before Committee of Supply. It was an attempt to get into touch with expenditure at an earlier stage than was vouchsafed to the Public Accounts Committee; but in effect it had to examine schemes of expenditure which in policy were already decided on and in practice were probably in course of operation. Finally, it had to examine Estimates which were non-significant. That, as will be explained hereafter, was the fundamental cause of its failure.

So it was that the Estimates Committee became exactly what its producers did not want it to become: it became a duplication of the Public Accounts Committee. It examined practically the same subjects as the Public Accounts Committee. It reported on the arrangement, structure, and preparation of the Estimates, which have frequently been reported on by the Public Accounts Committee. It examined the system of making contracts and payment of staff,

which have often been examined by the Public Accounts Committee. It concerned itself with the surpluses on votes which have been the frequent concern of the Public Accounts Committee. It had not, therefore, before the War, justified its separate existence. Its function had no appreciable influence, by way of economy, on the course of public expenditure. After many laborious days on the Navy Estimates its chief recommendation affected the supply of tobacco to the sailor.

Control of expenditure has, therefore, fallen back on the chamber of the House of Commons—unsuited, as it has been shown, with an heritage of outworn rules of procedure and with a habit of treating finance as politics. The fact is obvious that the House of Commons does not set about controlling the national expenditure in the right way. That is the internal reason of its failure.

## CHAPTER VI

### MODERN CONTROL: PARLIAMENTARY INFORMATION

#### I.—THE QUANTITY OF FINANCIAL INFORMATION

EXTERNALLY, financial criticism and debate in the chamber of the House of Commons is handicapped by the lack of intelligible financial information. Members of Parliament have not, in the Estimates and Accounts presented to them, a real basis for any effective control of the Executive's expenditure. This, again, is written of the system before the Select Committee on National Expenditure proposed in 1918 its reforms; but those reforms are not yet carried out, and the public estimates and accounts are, for the most part, still non-significant and unintelligible as financial statements.

It must not be forgotten what the House of Commons is supposed to achieve with the financial information at its disposal. It is supposed, at the beginning of each financial year, to examine and sanction every estimate of public expenditure which the Government has proposed. At the close of the financial year, its officer, the Comptroller and Auditor-General, audits the accounts of the

Government Departments, and reports whether the expenditures have been properly incurred under regulation—Parliamentary or Treasury; its Standing Committee on Public Accounts further examines the accounts and considers the reports of the Comptroller and Auditor-General; and the House itself is then supposed to be satisfied that every amount of public expenditure has been properly and economically disbursed. It is no mean task for the House of Commons to perform, and everything depends upon the usefulness of the information contained in the Estimates and Accounts.

In the first place, it will be well to visualise the quantity before considering the quality, of this information.

The total public expenditure is divided into Consolidated Fund Services and Supply Services. Consolidated Fund Services are those authorised as recurring direct charges on the Consolidated Fund by continuing Acts of Parliament. They amount in peace-time to about a third of the annual expenditure, and include the charges of the National Debt (principal and interest), payments to Local Taxation Accounts, the King's Civil List, and various pensions and salaries, in particular, those of His Majesty's Judges. The Supply Services are those for which money is voted afresh annually. They now include the Army, Navy, Air and Civil Services.

The Member of Parliament obtains his information

about the Consolidated Fund Services from the Annual Accounts <sup>1</sup> of the issues for services charged directly on the Consolidated Fund, certified by the Comptroller and Auditor-General, and from the Finance Accounts <sup>2</sup> of the United Kingdom, presented to the House by the Treasury and not certified by the Comptroller and Auditor-General. There are, of course, no Estimates for the Consolidated Fund Services, seeing that they are fixed charges, authorised by different statutes for specific purposes, and for such lengths of time, definite or indefinite, as are therein laid down. Once granted they become, in effect, continuing grants to the Treasury, to be obtained on its requisition and issued for the purposes for which they are provided. They do not therefore come up for annual criticism in the House of Commons, but they are shown in the Annual Accounts of Consolidated Fund Services and the Annual Finance Accounts as having reached the destination for which they were respectively intended.

The Member of Parliament obtains his information about the Supply Services, first, from the Estimates that are presented annually to Parliament, for consideration in Committee of Supply, by the

<sup>1</sup> These Annual Accounts are required to be presented to the House of Commons under the Exchequer and Audit Department Act, 1866, 29 & 30 Vict. c. 39.

<sup>2</sup> The Treasury are required to present the Finance Accounts pursuant to sec. ii. of the Public Revenue and Consolidated Fund Charges Act, 1854.



Army, Navy and Air Departments individually, and by the Treasury for the Civil Votes and Revenue Departments; secondly, from the audited Appropriation Accounts of each Department's expenditure, which are presented annually, with reports thereon, by the Comptroller and Auditor-General; thirdly, from miscellaneous accounts or statements, which are audited or examined by the Comptroller and Auditor-General, with or without presentment of accounts to Parliament, in connection with the store-keeping, manufacturing, commercial or other undertakings of different Government Departments.

The quantity of this information may be realised by the following analysis. The Estimates are presented in the following divisions. They are first classified into five groups—Army, Navy, Air, Civil Services and Revenue Departments. The Civil Services are further classified into seven sub-groups,<sup>1</sup> and the Revenue Departments into three sub-groups. The next classification is of these groups, or sub-groups, into votes or heads of Appropriation. There are 15 votes in the Army Estimates, 15 in the Navy, 7 in the Air Force, some 123 in the Civil, and 3 in the Revenue Departments—total 163 Appropriations. The third classification is of these votes or heads of Appropriation into sub-heads of votes—which are counted literally by the

<sup>1</sup> During the war new Departments have come into existence, having an unclassified series of token votes.

hundred. Each of the several hundred sub-heads is compared with the amount voted in the previous year, showing the increase or decrease. The result is a large quarto volume for each of the five groups of Estimates—Army, Navy, Air, Civil Services and Revenue Departments—each volume being swelled by the following introductory and summary matter : first, a memorandum explanatory of the Estimates—published quite illogically in the case of the Revenue Departments in the book of Estimates for the Civil Services; secondly, an abstract of the Estimates; thirdly, a comparison of the Estimates with the actual expenditure during the preceding eight years and grants for the current year; and, fourthly, voluminous appendices.

As with the Estimates, so with the Appropriation Accounts. There is in each an abstract showing the amounts appropriated by Parliament and the sums which actually came in course of payment; the details of the expenditure accounted for exactly according to the innumerable votes and sub-heads of votes as set out in the Estimates, with explanations by the Accounting Officer of the causes of any variations between estimates and actual payments; details of appropriations-in-aid; details of balances irrecoverable; selections from official correspondence in the full official style; and, finally, the Report of the Comptroller and Auditor-General.

Of the miscellany of accounts, other than the

Appropriation, which are supposed to provide Parliament with further information as to the use to which its grants are applied, there are the dockyard and manufacturing accounts of the Navy, and the ordnance and manufacturing accounts of the Army; there are the commercial accounts of the Post Office; and there are various statements in connection with grants out of civil votes to support public bodies or promote public developments. Store Accounts, showing the existence, and Expense Accounts, showing the use, of stores (as apart from their cash purchase shown in the Appropriation Accounts), are not presented to Parliament, but are reported on by the Comptroller and Auditor-General, in connection with the store-keeping of departments such as the War Office.

The information of the Member of Parliament about the national expenditure is not, however, complete without a summary of the total of both Consolidated Fund Services and Supply Services. This is obtained from the Annual Finance Accounts, which show the issues from the Exchequer in respect of the Supply Services as well as the issues mentioned above in respect of the Consolidated Fund Services. The Finance Accounts are, in fact, a summary statement of the national income and expenditure from the standpoint of Exchequer receipts and issues. They begin with a table recapitulating the general totals of income and expenditure, and

proceed to a series of supporting tables giving the details entering into these totals. But whereas the expenditure on the Consolidated Fund Services is shown in full detail, the expenditure on the Supply Services is summarised in the case of Army and Navy, and is detailed by votes only in the case of the Civil and Revenue Departments. There are other tables: receipts and payments (not being income and expenditure), contingent and nominal liabilities, loans, unrepaid advances, operations in regard to the public debt—which it is sufficient merely to note.

The serious fault to be found with the quantity of the financial information put before the Member of Parliament, is clearly that there is too much of it, and that it is not presented in any simple form. The Estimates and Accounts are hardly portable, and a stranger to the mysteries of the British financial system would have difficulty in finding his way about. To comprehend the Estimates fully, the Select Committee on National Expenditure reported in 1918, "is a science in itself." Yet even more serious than the fault of quantity is that of quality: the information is non-significant.

## II.—THE QUALITY OF FINANCIAL INFORMATION

For purposes of Parliamentary control of expenditure the Finance Accounts may be disregarded. They indicate, in a general way, the revenue and expenditure of the State, but they do not presume

to do more. They give in effect, the receipts into, and the issues out of, the Exchequer,<sup>1</sup> together with statements showing the effect of the year's finance on the National Debt and some information as to outstanding loans. But they are not an absolutely complete picture of public resources and liabilities. They show merely the *Exchequer* receipts and issues. They do not show all receipts and payments, inasmuch as the very considerable Appropriations-in-Aid (receipts due to a department, in the course of its business, from non-Parliamentary sources) do not pass through the Exchequer. Nor do they show those items under Capital Account which are not convertible into cash. No attempt is made to include the value of physical properties—Crown lands, public buildings, materials and supplies on hand. The Finance Accounts may, in fact, be misleading. Nevertheless, on account of the policy of keeping the balances in the hands of the Spending Departments as low as possible, their record of the incomings and outgoings of the Exchequer by way of imprests to the departments is certainly an approximate record of the public income and expenditure. It is only the

<sup>1</sup> These receipts and issues are also exhibited, but in less detail, in the Public Income and Expenditure Account, now presented annually within one month of the close of the year by the repeal, by 38 & 39 Vict. c. 45, sec. 6, of sec. 16, of the Exchequer and Audit Department Act, 1866, which had required its presentation quarterly,

fact that they say nothing of their incompleteness that may make them misleading, and the fact that they are published without any sort of comparison with the Exchequer receipts and issues of previous years certainly deprives them of much significance.

In these circumstances it is obvious that the Finance Accounts, though they provide a rough basis for a broad review of the Government's financial policy, provide no basis whatsoever for control of the Government's expenditure.

The Member of Parliament has, therefore, to depend on the Departmental Estimates and Appropriation Accounts, which, for the purpose of intelligent financial control, are void of all significance.

There are two fundamental facts to be realised.

In the first place, the Estimates and Appropriation Accounts were never designed to provide Parliament with the means for securing that the public services are administered economically and efficiently.

The form of the Estimates is, in reality, dictated by the necessities of accounting. That is, the Estimates must tally with the Accounts, which must show the cash expenditure alongside the grants appropriated under each head. Estimates and Appropriation Accounts together are the index of the principle of Parliamentary appropriation of grants. Now that was the first principle adopted by Parliament in the fourteenth century to control

the expenditure of the King—the elementary principle that grants, for purposes for which Parliament was willing to spend money, must not be applied to purposes for which Parliament was unwilling to spend money. It is *prima facie* absurd to suppose that that principle, elaborated in the nineteenth century, can be applied to meet the changed conditions of the twentieth century : yet it is applied in the present-day Estimates and Appropriation Accounts where the money grants by Parliament are divided into numerous little watertight compartments, and any “virement”—that is, transfer between two compartments—is forbidden, except under authority of Act of Parliament, or dispensation by the Lords Commissioners of the Treasury. In other words, the Public Accounts are designed, not to secure economy in administration, but rather to secure a “Budget” control, to ensure that no taxation should be imposed on the country without clear evidence of how the money raised was intended to be spent, and (after the passing of the Exchequer and Audit Department Act, 1866) without a guarantee to Parliament that the money was not being diverted from the purposes authorised.

The Appropriation Accounts are, therefore, framed upon a “cash” basis—that is, they are an analytical account of what has actually been done with cash issued from the Exchequer—and they are designed to secure that, whatever cash is not



expended on the purpose for which it was granted; must be surrendered to the Exchequer. As Sir John Bradbury has said: "The main duty of the Auditor in regard to an ordinary 'expenditure' account is to satisfy himself that no charges which ought to have been included have been omitted. In regard to an Appropriation Account, on the other hand, his main duty is to see that no charges which ought to be excluded have been admitted."

The second fundamental fact to be realised is that, whatever the design, the Estimates and Appropriation Accounts do not in fact provide any index whatever of the financial soundness of Government administration. It cannot be expected that the form of public accounts, which was drawn up at the time when the chief business of the House of Commons was merely to limit the amount of cash to be placed at the Government's disposal, will be adequate at a time when it is the business of the House of Commons to secure that the public services are being administered economically and efficiently by the Government. Consider the departmental Appropriation Accounts which dictate the form of the Estimates. The Member of Parliament must utterly fail to extract from them any conception of the results obtained from the Government's expenditure. As financial statements they are quite valueless. They contain no statement of outstanding liabilities. Mere delay in payment

appears as a saving or surplus. They make no mention—with but few exceptions—of the character of the expenditure: capital outlay, for instance, is not distinguished from maintenance. If a Member of the House were concerned about expenditure on stores, he would find no indication of how much represented new equipment, how much stocks in hand, or how much upkeep. Above all, there is nothing in the accounts to show the *objects* for which the expenditure has been incurred. The basis of all the innumerable appropriations by votes and sub-heads is—to misuse the term—“subjective.” Money is appropriated to general subjects, such as fuel, not to the objects for which the fuel is required. There is no help for the economist who would like to penetrate behind the blank statement that £x was spent on fuel and light for all purposes as compared with £y, which the department had estimated it would spend. Suppose that the House were discussing Army Estimates in Committee of Supply, and that a Member on the back benches were determined to reconcile his duty to the taxpayer with his duty of voting money for the Army, by inquiring whether War Office establishments were being expensively or economically administered. Without access to official secrets, he would never find out. The accounts presented to him would not disclose the existence even of an Army Hospital, unless he sagely deduced the fact

from the item of pay of nurses (in Vote 2), or an item (in Vote 10) for a new hospital building. Even so, he would not discover what was the cost per hospital bed per day because the pay of staff, the feeding of the patient, the heating and maintenance of the building, are buried in different Votes and sub-heads of Votes. Yet without that information he could not pretend to offer any useful criticism of Army Medical expenditure. Nor would the accounts disclose, except in some chance footnote, the existence of sausage factories, mechanical transport depôts, or repairing shops. Much less could he discover what was the cost per lb. of Army sausage meat manufactured, or the cost per ton mile of Army mechanical transport, or the cost per boot repaired in an Army repair shop. Yet without such information he could not pretend that he was safeguarding the pockets of his constituents as taxpayers. Without a system of accounts on an "objective" basis, by which results can be set against cost, and comparison of costs made between similar establishments, he could not, in fact, know whether the Government was asking too much or too little in its Estimates for the Army. It is the same with all departments. The Navy Estimates, for example, do not show the complete cost of any particular service—as, for instance, the cost of the medical service as a whole—for the money is voted, as in the Army Estimates, irrespective of whether it is recurrent or non-recurrent expenditure, to

general subjects. Then the official accounts of the Ministry of Munitions, as presented to Parliament, purport to be a statement of cash receipts and payments: yet they do not even represent the actual payments for the financial year. Cash advances to contractors are only included therein to the extent to which deliveries have been made before the end of the financial year. Nor do they make any distinction between capital expenditure and maintenance. Payments for raw material, for instance, are included in a sub-head irrespective of whether they may still be on hand or issued for capital purposes, or issued for making a great variety of products. Nor are assets shown except repayable advances. In brief, the official accounts of the largest buying, selling and manufacturing department of State are misleading as to the true amounts of expenditure incurred, are no guide to the final purposes for which money has been spent, and defy description as to what its total expenditure is, or even what it purports to be. Clearly they give the House of Commons no possible means of controlling the expenditure on Munitions. The position was aptly summarised in three paragraphs of a paper submitted by Sir Gilbert Garnsey and Mr. Guy of that Ministry to the Select Committee on National Expenditure in 1918:—

“In ordinary commercial practice the accounts are considered as of vital importance

to the business as an index of economical administration and sound management, and a very great deal of attention is given to the system of accounts in use and to the periodic statements submitted to the Directors, and to those in charge of the various departments, of the business effected by the results shown.

“It is doubtful whether there is any instrument of administration which receives greater consideration in a well-organised business.

“In the past the Minister has received no accounting statement of any use in administration or in securing economy as a whole, and has had to rely on a few National Factory Cost Accounts, Contract Statistics, and such odds and ends of departmental statements as such enterprising departmental heads may choose to submit. Senior officials have had no accounts or statements submitted to them showing the results in their departments. So there has been little, if any, encouragement to economy.”

It needs no further elaboration to show that as long as the Estimates and Appropriation Accounts are framed on a “cash” appropriation basis, on a subjective and not on an objective basis, the Member of Parliament cannot hope to find them useful for his purpose of financial criticism.

Nor will the miscellaneous accounts provide him with more significant information. There are some

notable exceptions—such as the Capital Accounts and Balance Sheets of the Post Office Telegraphs and Telephones, the Ordnance Factories, where the units of cost accounting are precise, and, to a lesser degree, the Admiralty Dockyard Expense Accounts; but the rest are unimportant or non-significant. The reports of the Comptroller and Auditor-General on Store Accounts cannot be helpful without the presentation of the accounts themselves, and even if the accounts were presented, it would be found that, from the time at which the purchase price of stores is debited in the account, the stores cease to be accounted for as the equivalent of a money value. The general principle (although, as Sir Sydney Olivier, Assistant Comptroller and Auditor-General, said, “there is no consistency of system in the Public Store Accounting”) is to account for them simply as stocks and quantities of materials, and the realities of the actual cost of services to which they are applied are either concealed or falsified. In any case, control of actual expenditure is evaded.

With financial information of such quantity and such quality at its disposal, the House of Commons will never be in the position to criticise the cost of Government administration, to form any opinion as to whether the public assets—cash credits, or property in stores not yet issued—are being disposed of with the minimum of expense

and the maximum of efficiency. Estimates and Appropriation Account on the cash, "subjective," basis, will endow the Member of Parliament with no knowledge of the cost of objective services. The construction of married soldiers' quarters, for instance, at some *depôt* at home, may be charged as £120,000 in the Army Estimates of Works, but may be actually £150,000, on account of the installation of superb baths taken from the Vote for Stores without even the Army Appropriation Account suggesting it. The Store Accounts, with stores accounted for generally in terms of measure and quantity and not continuously and consistently in terms of value, will give the Comptroller and Auditor-General no significant information for his report to Parliament. Generally unintelligible, always non-significant, the financial information put before Parliament can never lead to Parliamentary financial control.

And here it may be mentioned that, even regarded as mere "non-significant" records of cash receipts and issues, the public Estimates and Accounts are, in some respects, not even accurate records. Reference is not made to the book-keeping error of £500,000 overcharged in the Army Appropriation Account for 1916-17 by the faulty combination of a girl clerk and an adding machine—of which the War Office had to make confession before the Public Accounts Committee in 1918—but to the faulty



division between Consolidated Fund Services and Supply Services. If, for instance, the House of Commons imagines that it is reviewing in Committee of Supply the whole cost of administration in Supply Services, it is to some extent misled. There are certain items of expenditure of precisely the same character as items in the Supply Estimates that are accounted for in the Finance Accounts as Consolidated Fund Services.

“Take, for example,” Mr. Harold Cox has written,<sup>1</sup> “the item of £16,244 for Public Offices. This is an annuity created under an Act of 1882 to pay for the sites of certain public offices. It is charged upon the Consolidated Fund, and buried out of sight under the head of ‘Miscellaneous Services’; but exactly similar annuities created by other Acts are charged upon the Estimates of the Office of Works, where their presence helps to show what is the actual cost to the country of its public offices. Equally unsatisfactory, from the point of view of intelligible account-keeping, is the item of £21,000 for Queen’s Colleges, Ireland. These same colleges also appear in the Civil Service Estimates under the vote for education in Ireland,

<sup>1</sup> “Official Finance in Government Departments; a Series of Critical Comments upon the Business and Financial Methods of Government Departments.”—*Financial Review of Reviews*, 1913, p. 43.

and receive a further grant, which in the present year will be £4700. To pass to larger items, we find two sums, namely, £40,000 and £728,000; granted to Ireland under the authority of Acts of Parliament passed in 1891 and 1898. As regards both these grants, if we turn to the Civil Service Estimates we find other sums for identical or similar services. Thus, in addition to the £40,000 in the above table granted to Ireland for Land Purchase, the taxpayer has to provide under Class III of the Civil Service Estimates £271,000 in the current year for the cost of the Irish Land Commission, which administers the Land Purchase Act. A further charge of £12,000 appears in the Consolidated Fund Accounts, as the above table shows, for the salaries of the Land Commission Judges. It is an elementary principle of sound account-keeping that the expenses of each service should be brought together, so that those who have a right to be interested in the expenditure may see what the full cost of the service is. Yet the cost of the system of land purchase in Ireland appears under three separate heads, which are in no way connected with one another." . . .

These examples are sufficient to show that the Estimates alone give an inadequate representation

of the public expenditure. Yet, as already explained, they contain the only figures which require the annual sanction of the House of Commons. The charges upon the Consolidated Fund annually falling due are not even published until after they are paid.

To some extent, then, discussion in Supply takes place on incorrect data, and to that extent the Estimates and Accounts may be misleading even as mere records of cash receipts and issues. It is the result of dividing the public services into Consolidated Fund and Supply on no very consistent principle. There is good ground, no doubt, for paying the Judges of the High Court, the Speaker of the House, the Comptroller and Auditor-General, or even the Regius Professor of Civil Law in the University of Oxford, by statutes which do not require the annual authorisation of the uncertain Member of Parliament; but there would appear little ground for exempting from Parliamentary financial criticism the payments to the "six trumpeters" of Scotland, or the "perpetual curate of Alderney." It would be equally interesting to have the annual comments of certain members from the back benches on the "annuity of £270 in perpetuity to the heirs of the Duke of Schomberg."

But this is a relatively small matter as against the non-significance of the public estimates and accounts as financial statements.

## III.—SUBSIDIARY INFORMATION

It may be argued that the Member of Parliament is not dependent for his financial intelligence entirely on the official estimates and accounts, that he can demand what information he thinks fit from Government departments, that Government departments can present him with statistics and costing accounts to his heart's content.

Now it is true, and it is useful to remember, that the spending Government departments could not function with any degree of efficiency or economy if they did not go outside the Parliamentary system of accounts. The basis of cash appropriations to subjective headings is not administratively helpful; it has indeed been ignored in practice, to some extent, for the sake of facilitating administration; and even when it is adhered to it has often resulted in wasteful expenditure rather than in economical.<sup>1</sup>

In practice, if appropriation were carried out meticulously and universally, administration would come to a standstill. It is impossible to keep expenditure on certain services within the limits

<sup>1</sup> Sir Charles Harris, of the War Office, gave it as his opinion to the Select Committee on National Expenditure in 1917: "The story of our attempts to control administration by appropriation reminds me rather of the story of the wise men who built a wall round the cuckoo in order to keep summer in all the year. First of all, you cannot hold the cuckoo; and secondly, if you did hold the cuckoo, it would not make any difference to the summer."

of an appropriated grant merely because an estimate for that service has been laid before Parliament. Where expenditure is incurred all the world over—as it is in the British Empire—it is not always possible to foresee the outcome of certain votes. Government work could not be undertaken without some liberty to vary the application of Parliamentary grants. There is, of course, the cumbrous machinery of Supplementary Estimates, where the estimates originally put before the House have been exceeded; but urgent military, naval, or civil works cannot always be delayed by such unpopular applications to Parliament: if they were, Government departments would be induced to overestimate their votes to avoid delay or breakdown in their work. The last state of public affairs would be worse than the first. The principle of “virement”—or transfer between votes—has had therefore to be admitted. While an Act of Parliament is required for the case of Civil Votes, in the case of Army and Navy Votes the Treasury has been permitted, since 1882, to authorise temporarily, subject to ultimate Parliamentary confirmation, the application of any savings on one vote towards any excess on another.<sup>1</sup>

<sup>1</sup> Statutory Appropriation is, strictly speaking, according to “Votes” only. What may be called sub-appropriation, or the earmarking of particular sums of money to particular classes of payment within the same vote, is a later accretion arising out of the provision of sec. 27 of the Exchequer and Audit Department Act: “Wherever

In other words, the principle of appropriation has had to be abandoned in practice in certain cases for the sake of carrying on the elementary work of administration. Mr. Gibson Bowles told the Select Committee on National Expenditure of 1902 that this defeat of the principle of Appropriation was in itself dangerous; that it must encourage the department to regard the total sum voted in respect of its services as one pooled fund into which it may dip at its own discretion, irrespective of specific appropriations, for any extra expenditure whatever, provided the total fund be not exceeded; that the sanction of the "virement" by the House of Commons was treated as a mere formality, sought at the very close of the next year's Session, the motion hurriedly debated, and the procedure no check on the danger of irresponsible misappropriation. All of which is true. Yet it merely shows that the principle of appropriation may be so detrimental in practice that its abandonment, in exceptional cases, is admitted, even though it involves the greater ridicule of the system of Parliamentary financial control.

A doctor, for example, in command of a military hospital has no incentive to economise by wise

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the Treasury has required any expenditure included or to be included in an Appropriation Account, or any portion of such expenditure to be supported by the authority of the Treasury, any such expenditure, if not so supported, shall be regarded as not properly chargeable to a Parliamentary grant."

administration in food (Vote 7), for he is aware that he would be unable to apply the savings he effects to the improvements, say, of the hospital's medical equipments (Vote 2), or of the furniture of the wards (Vote 8). Or an officer in charge of a military barracks would have no desire to secure economy in the consumption of fuel (Vote 7) by fitting in gas stoves (Vote 10), for he knows that he must ask the Royal Engineers, the Royal Engineers the Chief Royal Engineer, the Chief Royal Engineer the Headquarters of the Command, the Headquarters of the Command the War Office, the War Office the Treasury, for considered sanction for this unimportant "virement" between Army Votes.

It is, indeed, notorious that as far as the Army is concerned the principle of detailed Appropriation has entirely failed to produce economy in Army administration. It is unthinkable that any business organisation that studied economy would tie the hands of its managers by any such rigid system of appropriation of grants. "The whole system," as Sir Charles Harris told the Select Committee on National Expenditure in 1918, "belongs to a primitive level of administrative thought in which the mechanical impounding of casual surpluses occupies the place that should be filled by a vital striving after real economy."

That is why some cost accounts and costing statistics are kept by Government departments for their own interests. The Member of Parliament



can actually learn, by putting down a question to the War Office, what is the cost per bed per day in an Army Hospital, or what is the cost per boot repaired in a repair dépôt, or what is the cost per ton of baling hay. But Members of Parliament cannot be expected to conduct researches before making a speech in Committee of Supply. Financial information of the Government's administration should obviously be at their disposal. If the Government departments cannot function without costing statistics and cost accounts, neither can the Member of Parliament. It is clearly improper to maintain a twofold system of accounting—one for the use of the administration, one for the use of the critic. It is also dangerous. If the Appropriation system holds the field as the official Parliamentary machinery, there is always a tendency to regard anything beyond it as an excrescence of doubtful value and necessity, of which officials who are not economists will have no compunction in getting rid.

If financial information must be readily available for the Member of Parliament, how much more should that information be intelligible and significant! The financial control of the House of Commons can never be more than an empty ceremony as long as the public Estimates and Accounts are void of all financial significance, as long as business principles are excluded from public business to the confusion of the Commons individually.

## IV.—THE PUBLIC ACCOUNTS COMMITTEE

It is popularly supposed that the Public Accounts Committee can do with the public Estimates and Accounts what Parliament cannot do; that is, that it can, from intelligent examination, review the course of Government expenditure and secure a more adequate control for the future.

That is a misconception of the functions of the Public Accounts Committee, for which the Committee itself is partly responsible.

Its main function is to secure regularity of expenditure, to keep a watch on the departments to see that they do not depart in their expenditure from the directions given by Parliament and by Treasury. In other words, it is a machinery to secure appropriation of grants and honesty of administration. For that purpose, it examines the reports of the Comptroller and Auditor-General, whose duty it is to see that departmental expenditure has been properly incurred under regulation and authority—Parliamentary or Treasury. It is generally recognised that the Public Accounts Committee exercises this, its main, function, with much efficiency. Further, the Public Accounts Committee attends to technical accounting procedure. It considers the form in which the Estimates should be submitted and the number of votes and sub-heads of votes under which appropriations should be made.

But its function is not to control Government expenditure, and by reason of its constitution it can never hope to do so, for two fundamental reasons. In the first place, it only examines expenditure incurred from one to two years previously; and in the second place, it has no power to disallow, but can merely call attention to items of expenditure and express the opinion that they should be disallowed. The lateness of its examination, apart from the lack of any real "disallowing" power, is sufficient to defeat any actual control of the daily expenditure of the public money.

It is only because the Committee's main object—regularity of expenditure and honesty of administration—has been attained that it attempts to consider the merit of expenditure. It was led thereto by the Comptroller and Auditor-General, who was finding little to report on unless he turned his attention to questions of economy and merit of expenditure. These are not technically points of his audit, which is concerned mainly with regularity of expenditure, but they are now the chief points in his reports on the departmental Appropriation Accounts. The Public Accounts Committee has, therefore, taken them up, and has thereby created the impression that it satisfies the House of Commons that due economy and efficiency have been displayed in the departmental expenditure of public funds. It was stated

before the Select Committee on National Expenditure of 1902 that: "As a check upon not merely extravagant and unauthorised expenditure, but also upon unwise methods of management, this Committee is probably more effectual than the House of Commons itself." But that dictum amounts to little, seeing how ineffectual is the control of the House of Commons. The public accounts are not less non-significant, not less useless for the purpose of intelligent financial control, when the Committee examines them on behalf of the House.

The Committee may, of course, influence future expenditure, but its effectiveness therein lies only in the publicity it is able to give to the questions it investigates and the moral effect of its criticism. Its publicity is not always happy, and if it kept to the strict letter of its reference, it would have no public at all. Few people feel concerned with what happened one or two years previously, even though it is shown by the Public Accounts Committee to be administratively discreditable. There is only one day set apart for discussion of its Report in the House, and that opportunity has only been used five times—in 1905, 1907, 1908, 1910 and 1916.

Its moral effect is, of course, variable, and depends largely on the character of its *personnel*. Civil servants have been known to shiver in their shoes when they submit to its cross-examination.

But its *personnel* will not be encouraged in ardour by the knowledge that the Committee cannot control expenditure which has been incurred one or two years previously, or by the knowledge that it cannot secure the regularity of expenditure beyond what is secured by the Comptroller and Auditor-General. It must be realised that the Comptroller, with all the powerfulness of Parliament behind him and none of its ignorance, will always be more efficient as a watchdog (seeing that his department is having continual access to all official papers and documents) than any Parliamentary Committee can hope to be.

It is not intended to charge the Public Accounts Committee with any failure. It conducts its inquiries with admirable disinterestedness, without any introduction of party politics. It secures with conspicuous success the regularity of public expenditure. The fact that its examination is necessarily *ex post facto* is no proof that it does not prevent irregularities, just as the fact that a post-mortem examination does not bring a corpse back to life is no proof that an *ex post facto* examination by a judge and jury does not prevent murders. But the Public Accounts Committee is no guarantee for public economy, for the reason that it was never constituted to be so. Even if it were, the fact remains that the non-significance of the public accounts would ensure its failure.

## CHAPTER VII

### THE REFORM OF MODERN CONTROL

#### I.—THE SELECT COMMITTEE ON NATIONAL EXPENDITURE OF 1917-18

THIS system of financial control, obtaining before the Select Committee on National Expenditure reported in 1917-18, rested in the main on the Exchequer and Audit Department Act of 1866, which has remained practically without amendment for over fifty years. In what respects that Select Committee proposed changes in the system must necessarily be considered before some conclusions can be drawn as to what form the ideal system of Parliamentary control might take.

A preliminary account of the work of this Committee may indicate, in passing, what functions an occasional Parliamentary Committee on Expenditure may usefully undertake. The Committee was born, out of the stress of war, in July 1917. It was not constituted a standing Select Committee; and as a general rule the occasional Select Committee, ordered to be set up with a definite purpose—to examine and report upon a particular subject—commits suicide when it makes a report. But

this Select Committee on National Expenditure, of which an ex-Postmaster General and ex-Home Secretary—the Right Hon. Herbert Samuel, M.P.—was made Chairman, had an immense task, and was given leave by the House to report from time to time and to sit notwithstanding the adjournment of the House. It made thirteen reports in a little over twelve months, and one of its members stated in the House: “Our sub-committees do really discuss the expenditure of the departments; and, therefore, I think this Committee supplies a gap in our Parliamentary machinery which the House of Commons will not hereafter willingly let go. It is perfectly true that we were appointed as a kind of war emergency, but it is equally true that something of the kind is required in our normal machinery for dealing with the expenditure of the departments.”

The verdict of history will undoubtedly be that of all Select Committees on Expenditure, this of 1917-18, much more than that of 1902, or the Public Moneys Committee of 1854, inaugurated a new era in the development of Parliamentary financial control. Its work has already had far-reaching results.

Its terms of reference were wide.

In the first place, it was appointed “to examine the current expenditure defrayed out of moneys provided by Parliament and to report what, if any, economies consistent with the execution of the



policy decided by the Government may be effected therein." The chief value of the Committee's reports on this head has been educational. It is largely and necessarily dependent for its information of current expenditure on rumour and report—to review every detail of war expenditure would be impossible—and it is often when the waste has been committed that the Committee hears of it. But it is, in any case, important to give the taxpayer, for the sake of his financial education, some object lessons in departmental expenditure, and certain instances of waste which the Committee unearthed have made some of its reports historical. To take the classic examples. As regards military expenditure, the third report of the 1918 Session was marked by its disinterment of the £500,000 buried in a peat-bog at Loch Doon in Scotland for the construction of an aerial gunnery school; the second report of 1917, and third and eighth reports of 1918, for their protests against the growth of the military staff at the War Office. It is true that when the Committee reported, in May 1918, it was four months after the £500,000 had been spent and the school at Loch Doon abandoned; it is true that the Committee was unable immediately to prevent the increase in the War Office military staff. But the salutary result was for the taxpayer to realise how his money can be squandered, and that the Army Council's expenditure really can be controlled.

Then, as regards the current expenditure of the Ministry of Munitions, the fifth (1918) report of the Committee exposed the Cellulose Acetate Contract, which is now the subject of a judicial investigation. Nor were these the only object-lessons which the Committee put before the taxpayer. There was the expenditure of nearly £4,000,000 on the National Shipyards, which was embarked on "without any estimate of the cost being prepared or any reference being made to the Treasury" (fourth report of Session 1918); and there was the subsidy of £40,000,000 to millers and bakers to make good the loss resulting from the War Cabinet decision (the financial effect of which "was not fully explored beforehand") that the 4*d.* loaf was to be sold at a uniform price of 9*d.* (third and eighth reports of Session 1918). It is not suggested that every instance of waste committed in the past is reported without any resultant economy in the expenditure to be incurred in the future. The reports do not merely lie on the Table of the House to be forgotten. The Committee, as long as it exists, is in the position to see, by putting questions to Ministers, whether its recommendations are being carried out; and its recommendations can sometimes be realised in immediate economies. Thus, for instance, at the suggestion of one of its sub-committees, the Treasury was able to secure a total reduction of £750,000 in the remuneration payable to the Bank of England

for the year 1917-18 (fifth report, Session 1918), and if the recommendation for legislation to enable the Board of Trade to raise the dues in railway-owned harbours (eighth report, Session 1918) had been carried out, a substantial economy would have been obtained. But the opportunities of effecting immediate economies in current expenditure must always be limited for a Committee which does not examine estimates and must never interfere in current administration. Its examination is often only a post-mortem examination; and the chief service which the Select Committee on National Expenditure has rendered to the cause of economy and efficiency by the exercise of its first term of reference will remain in the mere fact of publicity. The ordinary taxpayer does not read *Hansard*, but he reads his morning paper, and there he will find these object-lessons in unwise expenditure which might never have been exposed in the House itself. He will find the reports in themselves an education in national economy. Thus, the Committee warns him in one report (the second of Session 1918) of the growth of expenditure on State pensions, in another (the second of Session 1917) of the effect on the national expenditure of increases in prices and wages—a ten per cent. rise in the latter involving an additional £130,000,000 annual charge on the Public Exchequer. These are facts that will make him think. In the Committee's words: "Fresh cycles

of wages advances succeed one another. Each one results in further increases of prices or in preventing a reduction of prices. An individual trade may obtain, by a wage advance, temporary relief from the increase in the cost of living, but only, as a rule, at the expense of all other trades. And the gain is short-lived, for the result is a demand from the others for similar advances, which raise the cost also of the commodities they produce. The producers are raising prices against themselves as consumers. Meantime the cost of the war is vastly increased. We are deeply impressed by the seriousness of the position in this respect, and are convinced that if the process continues, the result can hardly fail to be disastrous to all classes of the nation" (second report, 1917 Session). Nothing short of such an authoritative warning would make any impression on the nation as a whole. The Select Committee's examination into current expenditure is the great advertising agency of the need for Parliamentary control of expenditure.

In the second place, the Select Committee was appointed "to make recommendations in regard to . . . the system of control within the Departments and by the Treasury." For this work a Parliamentary Committee is naturally fitted, and what the National Expenditure Committee has already done has been invaluable. It has dealt with forty-eight Government departments and sub-

departments, and their methods of financial control—not in any hypercritical temper, but in a spirit of constructive helpfulness, to which the Chancellor of the Exchequer has himself borne testimony.

For example, its first report of the 1918 Session on the Ministry of Munitions will be remembered as one of the most important State Papers of the War. It found that there was no real system of financial control in that Ministry, that the Supply officials went their own way without proper examination of financial programmes or methods, and that serious waste of the public money had occurred. The Committee recommended a complete revolution: the status of the finance branches to be raised, their authority recognised, and their views adequately represented on the Munitions Council. These recommendations were the first step towards a proper system of financial control and the Committee saw that they were carried into effect.

At the War Office the Committee found little fault with the system of financial control, but it strongly urged the extension of the use of comparative statistics: "The checking of waste in the consumption of stores or equipment," it reported (first report of Session 1917), "may be effected to some extent by inspection, and use is made of this method; but it is an inadequate method. The more effective means is that of statistical comparison. There are always to be found, here and there,

energetic and economical administrators; the problem is to bring the rest up to their standards. The best means is to ascertain the results obtained by each and to compare one with another." Further, the Committee recommended that the system of cost accounts be extended, as an outcome of which the War Office appointed an accountant to examine how far that system could be applied in Army establishments. That inquiry may prove to solve much of the problem of economy and efficiency in administration. The value of the Committee's recommendations can hardly be over-emphasised.

In all departments of State which it has investigated, the Committee has been able to tune up the machinery of financial control. For instance, on the Board of Trade it reported "that proposals for the expenditure of public money require examination from more than the executive or administrative point of view, and we recommend that an officer of a rank at least equal to that of Assistant Secretary of the Board should be charged with the work of examining and criticising, on financial grounds, such departmental proposals as involve public expenditure" (third report of Session 1918). And in the Ministry of Information the Committee found no system of financial control at all, and not even a proper form of accounts. Its recommendations in that connection were not untimely. But

the whole question of financial control within the administrative departments depends upon the activity and efficiency of the Treasury; and the most significant feature of the Committee's work, under this head of reference, has been its attempt at Treasury reform.

In its own words : " There was need of an active financial supervision, watching the methods adopted, detecting mistakes, suggesting improvements, preventing competition between departments in purchasing supplies and in obtaining labour, restricting rates of profit, inquiring into the numbers and organisation of the vast new staffs employed. There has been a little of this, but very little in proportion to the need."

The impression which the reports of the Committee leave is that, since the outbreak of war, the Treasury, inured to a system adapted to peace conditions, found itself over-weighted and under-manned, and quite unequal to the task of exercising any adequate control over old departments suddenly expanded out of all recognition or over new departments devoid of all administrative experience. The Treasury may have had an impossible task, but the Committee found that it had sometimes neglected its elementary duties, For instance, in the case of the Ministry of Information, it had failed to prescribe a proper form of accounts. Further, it had neglected to demand presentation of estimates from



those new departments, such as the many sub-departments which have in the last three years grown out of the Board of Trade, which were not tied by secrecy. "Where secrecy is not necessary in the national interest," the Committee said, "we consider that estimates in such cases should be presented to Parliament. The preparation of estimates, the effort to keep within them, and the prospect of their public discussion, have an influence in the administration of the departments themselves that tends to economy. The publication of the figures is useful as a guide both to Parliament and in the formation of opinion. Expenditure by Government, without effective limitation of amount or control of direction, is unsound in principle; war conditions make it inevitable in many cases; but it should not be carried beyond the point where it is really inevitable." Yet the Treasury failed to seize its opportunities and the Committee, not content with negative criticism, however educational, went on to make the following constructive recommendations (second report of Session 1917)—

"1. That the staff of the Treasury should be strengthened by the addition of men of ability and administrative experience from outside.

"2. That a more active financial supervision should be exercised by the Treasury over the departments. This supervision should aim at insuring the adoption of sound financial methods in every

province of administration, at preventing undue profits being made by contractors, at preventing competition between departments in purchasing supplies and in obtaining labour.

"3. That the Treasury should hold a series of inquiries into the numbers and organisation of the large clerical staffs recruited by the various departments during the War.

"4. Above all, that in the exercise of a proper financial control the Chancellor of the Exchequer should be enabled to feel that he has the support of the Cabinet, with whom the ultimate decisions rest."

The immediate appointment of an outside committee to inquire into the staffing of departments, and another to co-ordinate the purchases of departments, is another indication of what practical results a Parliamentary Committee on Expenditure can achieve. But it must be remembered that the tinkering of financial machinery is generally what a Parliamentary Committee is driven to do, on account of its inability to interfere in administration, and on account of the non-significance of the accounts which the administrator presents. It so happened that in the case of the National Expenditure Committee the field for economies, by way of improvement in financial machinery, was large. Even so, that was not the sum of the Committee's reforms.

In the third place, the Committee was appointed "to make recommendations in regard to the form

of Public Accounts . . . and the procedure of this House in relation to Supply and Appropriation so as to secure more effective control by Parliament over Public Expenditure." This has been the most important part of its functions, and will undoubtedly be the most permanent part of its work.

Control of expenditure, the Committee reported, "is, or should be, applied at four points : (1) by the head of the spending department or sub-department; (2) by the Financial Secretary or other Minister in charge; (3) by the Treasury; and (4) by Parliament. The form in which Parliamentary control is applied largely determines the form taken by the others."

The Committee, therefore, grappled with the great problem of Parliamentary control, and fully realised the two fundamental defects of the modern system—first, the defect of Parliamentary methods in debate on account of outworn rules of procedure in Supply and the political treatment of financial criticism; and secondly, the deficiencies of Parliamentary information for debate on account of the non-significance of the public accounts. In its ninth report and seventh report of 1918, dealing respectively with these two aspects of the financial system, the Committee recommended certain reforms of high importance : it made the first step towards the ideal,

## II.—THE REFORM OF PARLIAMENTARY PROCEDURE

“ We are of opinion that the existing procedure of the House of Commons is inadequate to secure proper Parliamentary control over the national expenditure.” That was the starting-point of the ninth report of the National Expenditure Committee. The defects in Parliamentary methods which led the Select Committee to that conclusion were precisely what has already been pointed out in detail in a previous chapter. In the Select Committee’s words : “ A so-called Committee of 670 members cannot effectively consider the details of finance. The time at its disposal is closely restricted. It cannot examine witnesses. It has no information before it but the bulky volumes of the Estimates themselves, the answers of a Minister to questions addressed to him in debate, and such facts as some private member may happen to be in a position to impart. A body so large, so limited in its time, so ill-equipped for inquiry, would be a very imperfect instrument for the control of expenditure even if the discussions in Committee of Supply were devoted entirely to that end. But those discussions afford the chief, sometimes the only, opportunity in the course of the year for the debate of grievances and of many questions of policy. In the competition for time, those matters of greater interest, and often of greater importance, usually take precedence, and

questions of finance are crowded out. And even if all these obstacles are overcome, and some rare occasion arises on which the House of Commons discovers and debates a case where a reduction in an estimate appears desirable, and would be disposed to insist upon its view, the present practice, which regards almost every vote of the House as a vote, not only on the merits of the question, but for or against the Government of the day, renders independence of action impossible. Under these conditions it is not surprising that there has not been a single instance in the last twenty-five years when the House of Commons by its own direct action has reduced, on financial grounds, any estimate submitted to it. . . . The debates in Committee of Supply are indispensable for the discussion of policy and administration. But so far as the direct effective control of proposals for expenditure is concerned, it would be true to say that if the Estimates were never presented, and the Committee of Supply never set up, there would be no noticeable difference. Indeed, a large part of the Estimates are formally passed, year by year, under the closure at the end of each Session, without even the appearance of discussion; while every item in every Estimate, whether closed or not, emerges from the Parliamentary process in precisely the same shape as it entered it." That is the record of a now obvious truth. The significance of it is that

it agrees, almost verbally, with the record, already quoted, of the Select Committee on National Expenditure of 1902. Sixteen years have passed without any progress.

If the Select Committee of 1917-18 made no startling proposals for reform, it must be realised that its hands were tied. The sub-Committee on Procedure proceeded by way of written question and answer, and the only opinions that were in any sense radical came from critics outside the House. No Member of Parliament favoured a sweeping change in financial procedure. On the contrary, opinions were expressed by some ex-Chancellors of the Exchequer that any attempt at direct control of expenditure by the House of Commons would be ineffective because it could not be sufficiently painstaking and minute, and harmful because it would detract from Ministerial responsibility. The Select Committee had to go out of its way to reassert that it was the *right* of the House of Commons, as the representative of the taxpayer, "to restrict the amounts to be allotted for each head of the National Expenditure." While, therefore, the Select Committee could properly go counter to the doctrine of Ministerial irresponsibility of the ex-Chancellors, it could not go counter to the probable feeling of the House by proposing a revolution.

The recommendations which the ninth report

contained can, however, be regarded as a real step towards the ideal. They met, in some measure, the twofold defect in Parliamentary methods—procedure and politics.

As regards procedure, the Select Committee proposed, in the first place, the appointment at the beginning of each Session of two Standing Committees on Estimates, each consisting of fifteen members. These Committees, dealing with Estimates, are, very properly, to be kept distinct from the Public Accounts Committee, dealing with accounts; nor are they to interfere with “policy” (undefined), which is a matter for the Government and the House itself. Their province is to be limited to inquiry and report. They are to examine the Annual Estimates—the allocation of classes of votes to one or other of the Committees being made by the Chairman of Ways and Means—and to present reports on them from time to time to the House, which “should include an account of the action taken on any recommendations in the previous year’s reports.” They are not to be authorised to propose increased expenditure; their duty is merely to suggest to the House desirable economies.

By these means the Select Committee hoped to secure that minute and effective examination of Estimates which the Committee of Supply so conspicuously fails to give. But remembering the faults



and disabilities of the first Estimates Committee, set up in 1912, the Select Committee made one additional and important recommendation, namely, that the Estimates Committees should be assisted by an officer of the House, to be appointed for the purpose, with the title of "Examiner of Estimates," in much the same way as the Public Accounts Committee is assisted by the Comptroller and Auditor-General. The Select Committee conceive the duty of the "Examiner of Estimates" to be "to collect from his own study of the Estimates, from information obtained officially or semi-officially, from communications received from members of the House or from the public, facts which would indicate to the Estimates Committees useful lines of inquiry." It would not be necessary, the Committee add, to attach to him any large specialised staff, but he might want one or more technical assistants. This is certainly a far-reaching change, and it is only necessary, in passing, to point out that it must meet the criticism of the administrator on the jealously-guarded principle of Ministerial responsibility.

It is an essential feature of the Select Committee's proposals that the reports of the Estimates Committees should be given the fullest consideration by the House itself. For that purpose, the Select Committee recommended that the Estimates should be presented, and the Estimates Committees set up,

at the earliest practicable date after the beginning of the Session, and that the selection of the votes to be taken in the House on any particular Supply day should be as a rule from among those on which the Estimates Committees had already reported, or had intimated that they would be unlikely to report that year. If there were a strong desire among members to debate some matter of high policy or importance relating to a department on whose vote a report from the Estimates Committee was expected but had not been received, the Select Committee offered two alternatives of procedure: either that the vote itself should not be finally passed but the discussion of it deferred until the report was presented, or that a Supplementary Estimate for a Token Vote of £100 should be proposed at a later date, to afford an opportunity for further debate, if the report from the Estimates Committee made it appear desirable.

Apart from the Annual Supply Estimates, the Select Committee proposed to connect up the Estimates Committees with two other matters of financial consideration—Supplementary Estimates and Money Resolutions for Bills.

Supplementary Estimates, which are presented either for a further grant to a service already sanctioned, or for a grant for a new service arising since the Supply Estimates were first introduced, are to be referred to the Estimates Committees for

examination, if introduced in the latter part of the Session; but, if introduced at the beginning of the Session, would not be referred unless there is time before the 31st March and the House specially desires it.

Money Resolutions are required, under the present procedure of the House, to be passed by a Committee of the whole House, and agreed to by the whole House again in Report, for any public charge contained in a Bill, whether the charge is the main or a subsidiary feature of the Bill. The Select Committee suggested that the Money Resolution should be placed on the Notice Paper of the House before the second reading of a Bill originating in Committee, should comprise a statement of the probable expenditure, where it is possible to make a forecast, and should be referred to one of the Estimates Committees for examination and report, "unless the House, on account of urgency or of the smallness of the sum involved, should by resolution dispose with that procedure in the particular case." It should then be the duty of the Estimates Committee to examine the basis of the estimate given or the reasons advanced for not forming one; but it was considered "impracticable or injurious to good administration" to insert a definite figure in a Bill in all cases.

Further alterations in the rules of procedure the Select Committee did not propose. On the question

how far the various stages by which the House deals with financial business are antiquated, a waste of time, and a discouragement to sensible criticism of the Estimates, it did not express an actual opinion. It received a number of suggestions for eliminating or curtailing certain stages of procedure, but it merely stated: "We do not recommend any of them for adoption." That presumably was the conservative feeling in the House, and the Select Committee may have been right in deciding to break the ice gently. But there is no contravention in its report of the accuracy of the criticisms which were made of the value of the existing rules of procedure, and the logical conclusion of those criticisms will be considered later.

The second defect of Parliamentary methods—the political treatment of financial criticism—was equally realised by the Select Committee; and its recommendations, though equally free from any revolutionary spirit, go far in the direction of reform.

The absurdity of the convention "which introduces, into every division on a proposal of the Government . . . the question of confidence or want of confidence in the Government," was not concealed in their report. In the Committee's words: "It is plain that if, on a division on some minor economy in a departmental estimate, a majority adverse to the Government is to be regarded as a censure,

even as a reason for its resignation, or for subjecting the country to a general election, the smaller issue must be completely eclipsed by the larger, and that a decision on the merits of the particular question must become impossible. Only when the House of Commons is free, not merely in theory and under the forms of the Constitution, but in fact and in custom, to vote, when the occasion requires, upon the strict merits of proposed economies, uncomplicated by any wider issue, will its control over the national expenditure become a reality." The Committee therefore recommended—and the importance of it cannot be over-emphasised—that: "Any motion carried in Committee of Supply in pursuance of the recommendations of those (Estimates) Committees should not be taken to imply that the Government of the day no longer possessed the confidence of the House."

With its first-hand experience of financial debate, the Select Committee made two other practical recommendations which should not be overlooked. It suggested that the Chairman of Ways and Means should endeavour so to arrange the course of the debate in Committee of Supply as to give an opportunity, if he thought it deserved, for the discussion of the Estimates Committees' reports. Further, it suggested that it should be the duty of the Chairman of the Estimates Committees, or of some other member nominated for the purpose, to be

present in the House and to speak, when his Committee's report was being discussed, and that it should be the duty of the Minister in charge of the vote either to accept the Committee's recommendations or to give reasons for not doing so. The retort may be true that, however much the rules of procedure may be reformed and rationalised, it will always be impossible to reform and rationalise the Member of Parliament himself and his way of speaking; yet these recommendations go a long way in the latter direction, and if Members and Ministers faithfully carried them out, it is certain that the worst abuses of politics would be removed from discussion in Committee of Supply.

Among the minor and general recommendations of the Select Committee were two whose effect may be far reaching. One was that the Comptroller and Auditor-General should be authorised to report to the Public Accounts Committee on matters needing their attention as and when they are brought to light in the course of his continuous audit. Whether that power infringes the principle of Ministerial responsibility will depend very largely upon the use made of it by the Comptroller and Auditor-General; but there is obvious danger that, if effect is given to that recommendation, that official will become less of an Auditor of Accounts and more of a Comptroller of matters of administration. The other recommendation was that the

Treasury itself should cease to be a Spending Department, that the direct responsibility for Old Age Pensions, which now rests with the Board of Customs and Excise, a sub-department of the Treasury, should be transferred to another department. That carries out the conclusion which the Committee had already arrived at in a previous report after investigating the working of Treasury control in practice.

Not the least value of the Select Committee's ninth report is its appendices containing the answers to its *questionnaire* from the high authorities it consulted. Those answers will direct public attention to the shortcomings of Parliamentary methods of financial criticism perhaps more than the actual recommendations of the Committee itself. They plainly suggest that the last word on the matter of reform of procedure has not been said.

### III.—THE REFORM OF PARLIAMENTARY INFORMATION

The seventh report of the Select Committee on National Expenditure is, comparatively speaking, a more noteworthy document than the ninth. It dealt with the obvious defect of modern Parliamentary information—the futility of the public estimates and accounts. The Committee had appointed a sub-committee to inquire separately into this aspect of the financial system and the sub-committee had called in the assistance of accounting



experts. The problem was thoroughly explored; the evidence of financial experts from the departments was heard and their memoranda carefully considered. It cannot be objected that the conclusions reached were hasty.

The Committee was fully satisfied of the need for some reform. It recognised the non-significant character of the present form of estimates and accounts. It pointed out that no Vote or Account included the total cost of the Service to which it related—for instance, “in the case of Old Age Pensions, the estimate for 1918–19, Class VII, Vote I, shows £12,085,000 as the amount required for the payment of Old Age Pensions and for certain administrative expenses; but the customary note shows that in addition to this amount it is estimated that £449,501 is provided in other estimates”—and, again, that no department could render an account of its expenditure because, with buildings, stationery, rates, pensions, postal, telegraph and telephone expenses, all finally recorded in the accounts of the departments who administer those services, no department fully knows what its total expenditure is. Inconsistencies in the classification of votes are mentioned by the Committee as completing their non-significance. For example, “Class VI of the Civil Service Estimates is described as the Non-Effective and Miscellaneous Services Class, in which by far the largest vote is that for Superannuation

and Retired Allowances ; yet from the note to this estimate it is seen that Civil Pensions, borne on other votes and included in other accounts, are four times as large as the Civil Superannuation Vote itself."

The Committee emphasised the axiom that " the form of accounts should bring to light extravagance and inefficiency, and enable criticism to be usefully applied." " This," it added, " is not the case at present." And it realised the need for *significant* accounts the more because it agreed that Parliament pays little attention to matter presented to it " for information " only.

The existing system was defended, rather half-heartedly, by certain witnesses, chiefly from the Treasury, and the Committee did not overlook their objections. It was objected that Parliament had the information it required in the notes to the Estimates and in the statements appended to the reports of the Comptroller and Auditor-General. But it has never been contended that Parliament has not sufficient information : the misfortune is that it has too much information—of the non-significant sort and non-significantly presented. The notes to the accounts of the Civil Service and Revenue Departments are an illustration. They are purely statistical—not even compiled by the departments on whose behalf the expenditure is incurred—and they are not compared with the notes

in the Estimates. They cannot lead to any intelligent criticism.

It was objected, again, that inter-departmental payments—when supplying departments such as the Stationery Office are repaid the cost of services they render to the departments supplied—are objectionable in themselves and loosen control. This argument the Committee flatly contradict: “The root of the objection to inter-departmental payments appears to your Committee to lie in the old disapproval of some financial authorities at a time when all receipts of departments were paid into the Exchequer, and the effect of inter-departmental payments was to increase both Exchequer issues and receipts. This objection has no application in present circumstances, and has had no application during the many years in which receipts arising out of the working of departments are appropriated in aid of the votes; and only the net vote of Parliament . . . becomes an Exchequer issue.”

It was objected, finally, that the proposed system would prove more costly than the present. “As to that, your Committee think that the best control of all services is one which is exercised in terms of money, and that the expenditure now incurred, in keeping public accounts under a large number of non-significant items, would be better spent in keeping accounts in a form which would ensure better

control of results, such as is followed in all commercial undertakings."

The view of Sir John Bradbury was that "real and substantial progress is much more likely to be secured by continuing and developing in the light of actual experience the experiments already in operation." He would improve and develop the system of expense accounts and present "expense" estimates: he would simplify the Appropriation Accounts where expense accounts were kept. But the mass of evidence which the Committee heard was overwhelming in favour of taking a bolder course. There were some statements made which deserve repetition. "We cannot make much use of the Appropriation Accounts for administrative purposes; we rely on the Commercial Accounts" (Sir Charles King, C.B., Comptroller and Accountant-General of the Post Office). "If you wish to establish financial control it can be better effected by the objective rather than the subjective scheme. I have always felt that the subjective classification, though very simple and convenient, did not lend itself to establishing a unit of cost by which you could control and compare the cost of one service with another" (Sir H. J. Gibson, K.C.B., Comptroller and Auditor-General). "I do not think Estimates as furnished in the past to Parliament are worth the paper they are written on from the point of view of Parliamentary control" (Mr. S.

Dannreuther, C.B., Accounting Officer of the Ministry of Munitions). " You cannot get any real control of expenditure by cash issues or cash payments excluding such factors as liabilities, consumption of stores from stock and things of that sort. You cannot control administration by controlling expenditure on subjects. If you want to control administration by appropriation you must appropriate to objects " (Sir Charles Harris, K.C.B., Assistant Financial Secretary to the War Office).

The Committee came to the obvious conclusion that some change in the financial system was desirable. It put forward an improved form of estimates and accounts. What it had in mind was not control over revenue but control over expenditure, and it is important to make clear what change in the financial system it did not propose.

It left the Budget control of Parliament untouched. That is outside the scope of this book, but a brief reference to it will prevent misconception. There are two forms of national account : the first, which is the French system, affects to show income and expenditure *proper* to the year ; the second, which is the British system, is content with the cash record of income *actually received* and expenditure *actually incurred in the year*. The first leads to considerable delay and trouble, and the result is complex. The second is prompt and simple. The British Budget is prepared on the basis of estimated cash receipts

into, and issues from, the Exchequer. The Exchequer accounts of receipts and issues are consequently on a "cash" basis. The Appropriation Accounts, it has been explained, are likewise on a "cash" basis: they deal solely and exclusively with the actual receipts and payments of the year, and work up to the surrender of the unspent balance of the Parliamentary grant. No payments are shown in them which have not been actually paid. Now this "Budget" control of cash is left undisturbed by the Select Committee. The Exchequer Accounts of receipts and issues remain on their existing "cash" basis, and in spite of the new form of Estimates and Accounts, which the Committee put forward, there will continue to be presented from the departments estimates of total cash requirements, and accounts of total cash expenditures and receipts, with the resulting surrender. The Committee did, as a matter of fact, consider, and carefully, the question of allowing the cash requirements of the year to include payments made for a given period after the close of the financial year for services rendered within that year. And it is admitted that such a procedure would enable departments with large commitments to eliminate from the estimates of their cash expenditure a factor of uncertainty. But the Committee's conclusion was not in favour of any change: "Having regard, however, to the requirements of the Budget and the admirable promptness with

which, under the existing system, the amounts of the Exchequer issues for the year are known, and their comparatively close approximation to the total of audited cash expenditure, your Committee are of opinion that it is undesirable to make any change in the present system under which the surrender is determined." In other words, the surrender remains based upon the amount by which the sums which actually come in course of payment during the year are less than the total of the estimate of cash required. The Budget control of Parliament remains unchanged.

The vital change, which the Committee proposed from the point of view of control of expenditure, affected the form of the *detailed* estimates of expenditure presented by the departments for consideration by Committee of Supply, and of the *detailed* accounts of their expenditure presented by the Comptroller and Auditor-General. These are to be distinct from the estimates of *total* cash required and accounts of *total* cash spent presented for purposes of Budget control. The new form of detailed estimates and accounts will not, in any way, impair, as the Committee reported, "the principle of the surrender of any Exchequer grants not drawn or Exchequer issues not spent."

The new form gives effect to two general principles which the Committee laid down as fundamental.

First, the estimated expenditure of the year as



shown in the Estimates, and the actual expenditure as disclosed in the Accounts, should be, not on a cash basis, but on a basis of income and expenditure, representing the actual cost of services rendered and stores, etc., supplied for the service of the year. In other words, *estimates and accounts of all departments should show their total expenditure*. The increase or decrease of stocks, the services rendered by other public departments, for example, the Post Office, the Office of Works, the Stationery Office, the increase or decrease of liability to contractors and others, the rental value of buildings occupied, pensions paid and pension liability in respect of pensionable servants, must all be included. It is obvious that by no other means can the true cost of the various services which a department administers be made clear. The Committee rightly regard the objection to inter-departmental payment as old-fashioned. No difficulty need arise in charging to the various services the value of the stores received from an outside department. As the Committee reported: "Most of the articles used are commercial products which could be priced at their average cost, to which would be added an approved percentage to cover the handling charges."

Secondly, in the Committee's words: "The estimates and accounts should be grouped both in their general scope, and also in their details *to show*

*the objects rather than the subjects of expenditure, and with carefully chosen units of cost. . . .* The Accounts presented to Parliament should be responsive to the Parliamentary Estimates of true annual expenditure. They should be prepared in such a manner as to provide in all their stages—Sectional, Departmental, Extra-Departmental, and Parliamentary—a control by means of units of costs, of which effective use should be made by comparison with similar units under like conditions, both inside the department concerned and with other departments of the State, thus affording the facilities needed for effective criticism: not by the massing of infinite details for the expert, but by the attainment on broad lines of results which can be readily appreciated.” It is obvious, again, that by no other means can the heads of departments and Ministers be confronted with the actual results of their decisions. Moreover, the Treasury would have an entirely new scheme of control open to them by comparing the results obtained in similar branches of different departments; and the House of Commons would not only be able to see that these comparisons are driven home and made use of, but would also be able to compare the official figures with results obtained in commercial undertakings.

The recommendation of these principles is the corner-stone of the Committee’s reforms, and credit for it is due chiefly to Sir Charles Harris, who

had been convinced, by "thirty years' experience of the actual working of the present system" of financial control, of its failure "to produce real economy." A model scheme of Army Estimates had been drawn up by Sir Charles Harris to show how his proposals could be put into practice, and "any form of estimate and account which is practicable and suitable for so large and so varied a branch of the public administration as the Army, and the various clerical, manufacturing, hospital, educational, and other establishments connected therewith, could also be adapted without any serious difficulty to all other services for which financial provision has to be made by Parliament."

It will elucidate the Committee's proposals to examine briefly the model form of estimates and accounts that Sir Charles Harris put forward. His arrangement of the estimates and that of the accounts are parallel, but whereas at present the estimates, as presented to Parliament, show only a comparison between the estimated figures for the year and those of the previous year, without any information as to the actual expenditure for any item, under his plan there would be bound up with the estimates of one year a reprint of relevant portions of the accounts of the last completed year. The basic idea is that the estimates deal with the cost of certain economic units, while the accounts show how that cost is made up. The detailed estimates for the

Army are to be divided under five heads, not on a cash but on an expenditure basis, with a corresponding abstract of the accounts under the same heads. The heads he suggested are: 1. Troops (Maintenance); 2. Hospitals, Store Depôts, Educational and Technical Establishments, etc. (Working Expenses); 3. War Office, Staff of Commands, etc.; 4. Capital Charges, viz. New Buildings, Stores, etc., in Stock, Plant of Factory Establishments, etc. (net variations only); 5. Non-Effective Charges. The heads are sub-divided under a few main sub-heads, and estimates and accounts follow for the several units, depôts, and other establishments comprised under the several sub-heads.

The units of cost, which Sir Charles Harris proposed, are varied. For troops, the cost per military unit is taken, where that is of fixed size—for instance, a cavalry regiment or a battery of field artillery; in other cases, such as regimental depôts or departmental corps generally, where the size of the unit is less constant, the cost per head is taken. For the working expenses accounts there is a variety of units of cost: for example, for hospitals the cost per day per occupied bed; for remount farms, the cost per day per horse; for electricity supply stations the cost per B.T.U., for store and supply depôts the cost per ton handled (received and issued). In order to arrive at correct unit-costs, estimated figures per pension *earned*.

during the year are included: the total so included being set against the totals for pensions *paid* in the year.

It is not necessary to emphasise the force of the Committee's statement that: "If accounts showing the actual cost of the maintenance of the various classes of combatant troops and of the work of such establishments as hospitals, clothing and store depôts and factories, remount farms, electric light stations, etc., are regularly compiled and presented to Parliament in such a form as to bring the accounts into direct association with the estimates, the examination and criticism of these estimates would be greatly assisted."

The Committee had further recommendations to put forward arising out of its new form of Estimates and Accounts. It would have appropriation on the broader lines which Sir Charles Harris suggested in the case of Army Services. It was admitted by Sir John Bradbury in giving evidence before the Committee that sub-heads of appropriation had been introduced for the purpose of securing administrative control, and that, if this control can better be secured by other means, they might disappear from the Appropriation Account "without serious detriment to the system." Sir John went so far as to say that "it will probably be sufficient if appropriation is confined to certain main heads of expenditure, such as 'Army,' 'Navy,'

' Air Force,' and the various groups of Civil Services respectively administered by the different Accounting departments," but the Committee in its report would bind the department not only to the "Estimate of the amount of cash required for the year detailed, but also to the classified Estimate of Expenditure." Further, as regards the powers of "virement," the Committee were of opinion that the Comptroller and Auditor-General should report to the House whether statutory sanction should be obtained for any variation, made on the authority of the Treasury, within the total expenditure granted to each department. Finally, the Committee recommended that the Comptroller and Auditor-General should be given power to suggest new forms of account. They were "of opinion that whilst the Treasury should continue to be responsible for sanctioning forms of account it should be the duty of the Comptroller and Auditor-General to suggest to accounting departments and to the Treasury such new forms of account as his experience in the course of audit shows him to be required by the developments of departmental activities."

It will be seen that the Committee have not effected an immediate revolution, but have proposed considerable improvements in the existing financial system. It recommended that the improved form of Estimates and Accounts should be adopted at once by the War Office, that the Admiralty and

Ministry of Munitions should work out a form based on the same principles, and that the Treasury should take steps at once to obtain the like from other departments. Parliament in effect should have its information about the Executive's expenditure for the first time presented in such a way as to reveal the actual costs of Government operations, and to make possible the exercise of intelligent criticism of the values obtained.



## CHAPTER VIII

### IDEAL PARLIAMENTARY CONTROL

#### I.—IDEALS

WHAT is wanted has been aptly expressed by ex-President Taft : " We want economy and efficiency, we want saving, and saving for a purpose. We want to save money to enable the Government to go into some of the beneficial projects which we are debarred from taking up because we cannot increase our expenditures." <sup>1</sup> Some Idealists will want, now the war is over, to have an Ideal Education System, an Ideal System of Public Health, an Ideal National Intelligence. Others will want to see an Ideal Bridge spanning the Thames at Charing Cross, or an Ideal National Theatre dominating the Embankment, or Ideal Public-houses, or Ideal Garden Cities, or Ideal Agriculture, and what not. But public ideals demand public money and none of them will be realised without ideal economy and efficiency in the public services. Expenditure must be ideally controlled.

<sup>1</sup> Message to Congress, January 17, 1912, in submitting the Report of the Commission on Economy and Efficiency.

To summarise the position: There are three agencies of financial control—the House of Commons, the Treasury, and the Spending Department—and the most important of the three is the agency of the House of Commons, not so much because the war record of the Treasury does not inspire confidence or because the spendings of the departments, as disclosed in the reports of Mr. Herbert Samuel's Committee, inspire mistrust, but because the House of Commons is responsible to the Electorate for setting the tone of expenditure in the Cabinet, in the Treasury, and in the departments; in other words, because it is responsible for current financial tone.

Now the ideal control for the House of Commons becomes in no sense an interference with the administrative responsibilities exercised by Cabinet, Treasury, or Minister. The ideal which ex-President Taft's Commission on Economy and Efficiency put before Congress might well be taken as the ideal control for the House of Commons:—

“ Instead of seeking to control administration through depriving it of the exercise of discretion in the transaction of public business, the recommendation of the Commission is that Congress shall definitely assign the duties which come properly within the scope of administrative responsibility and then shall prescribe such conditions and require such an accounting

as will disclose promptly and accurately the results of the exercise of the executive's discretion or indiscretion. By so doing not only will the executive have brought home to him the need for giving careful attention to every act as a matter of self-protection, but also every member of Congress and every agency of publicity may become a potent factor in bringing the service up to a high state of efficiency."

It has been shown how far short of that ideal the control of the House of Commons falls—by reason of the inapt methods adopted in its Chamber and the non-significant information laid upon its Table—and it has been stated how far progress has been attempted towards that ideal in the recommendations of the Select Committee on National Expenditure. It remains, therefore, to suggest how the ideal can be completely worked out, to what extent, and how the House of Commons can really control the national expenditure.

To what extent? It is time to dispose of the notion, as regards Parliament, that control may be of three characters—*anterior*, *concurrent* and *retrospective*—*anterior* when the House examines estimates in Committee of Supply, *concurrent* when it debates and puts down questions, *retrospective* when it considers the report of the Public Accounts Committee on the Appropriation Accounts of the

last financial year. These are different operations, but there is only one *kind* of Parliamentary control. The House is using all its armoury of information whenever it discusses expenditure, future, present, or past; it is looking forwards and backwards whenever it talks finance. The character of Parliamentary control is one and indivisible, and if it means anything at all, it means control of present-day expenditure.

Moreover, there is one certain way by which a legislative body like the House of Commons can secure that control—by scrutiny of estimates of cost. It must get estimates for every Government service outside the Consolidated Fund Services—that is, for Supply Services or new services proposed by legislation, and it must pass none of them without thorough examination. The rest of the financial operations of Parliament are, for purposes of *control*, relatively unimportant. There must, of course, be a rigid audit of the expenditures after they have been incurred; it is impossible to scrutinise estimates without knowledge of past expenditure. But the machinery of Exchequer and Audit Department Acts and Public Accounts Committees is not so much financial as judicial: it is, or should be, designed rather to prevent fraud or illegality than to prevent waste, to ensure that moneys have been properly spent in accordance with Parliamentary authority rather than economically

spent. To secure economy and efficiency in administration—which, let it be repeated, is the main purpose of modern financial control—the House of Commons can only lay down certain precise limits of expenditure, and leave the administrator to do the rest. And the administrator will do it, if only the House of Commons will watch him.

With that simple solution of the question—the scrutiny of estimates—difficulties begin. There is on the one hand the person, and on the other the machine. The personal equation resolves itself into the difficulty of getting a large body of politicians into one confined space and making them scrutinise figures: the machinery equation resolves itself into the difficulty of presenting those figures in the most significant and intelligible form. In other words, there is, first, the difficulty of procedure and politics; and secondly, the difficulty of the public estimates and accounts.

## II.—IDEAL PROCEEDINGS IN THE HOUSE

### *Estimates Committee*

No modern deliberative or legislative body can conduct its business without delegating some portion of its multitudinous work to Committees. In the matter of finance, the *prima facie* case for delegation is strong, and in the matter of the House of Commons even stronger, seeing that its rules of

procedure are outworn and its financial debates coloured by politics. Delegation to Select Committee would be the first step towards meeting those two particular weaknesses. The Select Committee on National Expenditure of 1902 reported: "We are impressed with the advantages, for the purposes of detailed financial scrutiny, which are enjoyed by Select Committees, whose proceedings are usually devoid of party feeling, who may obtain accurate knowledge, collected for them by trained officials, which may, if so desired, be checked or extended by the examination of witnesses or the production of documents, and we feel that it is in this direction that the financial control of the House of Commons is most capable of being strengthened." It is true that in the British Parliament, as compared with Continental and American Parliaments, Committees have had a much smaller scope. There has always been fear or jealousy of their encroachment on the functions of the whole House or on ministerial responsibility. The Committee on Procedure in Grant of Supplies of 1888 gave it as their considered view that "examination by a Standing Committee would not be accepted as sufficient or satisfactory or as dispensing with the necessity of future discussion in Committee of Supply." And the Select Committee on National Expenditure of 1902 added, "There would be no question of any interference with ministerial responsibility or with Parliamentary

control." But the increase in the volume of Government financial business in recent years has made an extension of the Committee system inevitable. There must be, as the National Expenditure Committee recommended, one or more Estimates Committees.

There should be two classes of estimates to examine—estimates of the cost of the Supply Services, and estimates or forecasts of the cost of any new legislation proposed by the Government. The examination of the latter is clearly as important as, if not more than, that of the former. It has been reckoned, in fact, that about 80 per cent. of the increase in the estimates for Civil Services have been directly due to new legislation put forward by the Government, and carried by the House, without any consideration of its financial effect. Money resolutions, it is true, are required for Bills or clauses in Bills containing financial provisions, but the estimates of cost are never scrutinised and in some cases are never even given. Where the Bill is sufficient authority in itself for the charge in question, directing—as, for instance, in the Uganda Railway Acts or the Telephone Acts—that payments not exceeding a specified maximum may be made for certain purposes, the House of Commons parts with the control of the expenditure when it parts with the Bill—without any financial scrutiny whatever; and where the Bill is not



sufficient authority for the charge, but leaves the amount required to be fixed by Vote in Supply, the Bill is passed without any preliminary estimate of cost being presented, much less examined.

It is clear that estimates examination by Committee must be of a twofold nature—the current examination of Supply Services and the initial examination of new services. The open question is merely whether there should be several Committees on Estimates or whether there should be one large Committee divided into sub-committees. Obviously, certain Members of Parliament will specialise on certain classes of estimates. It would seem preferable to have a large Committee of, say, forty or fifty Members, with sub-committees specialising on one or more departments and the whole Committee itself examining the estimates of cost or financial forecasts of new legislation. But these are secondary questions which can only be decided by experience. Assume one Committee, and it will be possible to lay down some general principles governing its constitution.

In the first place, the Estimates Committee must be a standing Committee, appointed at the beginning of each session to sit continuously throughout, and, apart from mere Votes on Account, neither estimates for Supply Services nor estimates of the cost of new legislation should be submitted to or considered in the House without prior examination

by the Estimates Committee itself or by one of its sub-committees with the approval of the whole Committee. Nor should Supplementary Estimates be allowed to escape the Estimates Committee scrutiny. On the other hand, post-mortem matters—such as Excess Votes—should be referred to the Public Accounts Committee. The balance sheets of the Treasury Chest Fund and the Civil Contingencies Fund—showing where the Treasury has temporarily met expenditure by advances from those funds—are rather for the Public Accounts Committee, again, than for the Estimates Committee. But if the two Committees are to be kept distinct, a clear line of demarcation must be laid down for their respective duties. Only, no matter for financial considerations should be allowed to escape the examination of both Committees.

In the second place, the Estimates Committee must not be empowered to deal with questions of policy. It is not, certainly, a severe change—for the ever-changing English Constitution—to submit the Executive's financial and legislative proposals to the prior scrutiny of a Standing Committee, but it would not be tolerated if the Estimates Committee were allowed to express the least opinion on policy, which is the jealously guarded province of the House. A definition of policy is not easy to make on paper, and may reasonably be avoided: but the working rule may be laid down that the

Committee should examine officials and obtain from them all such facts and explanations as an official may properly give, while questions arising out of the Committee's investigations, but going beyond the province of officials, should be brought up in the reports of the Committee for discussion in the House.

In the third place, the Estimates Committee should have the assistance rather of a permanent secretariat than of an officer of the House after the style of the Comptroller and Auditor-General. There is no place for a Comptroller-General of Estimates. The Committee would want, of course, permanent secretaries, not merely clerks, and if the secretaries have had a financial training in the Civil Service, their assistance would probably be more valuable than any other. The National Expenditure Committee recommended an Examiner of Estimates: but such an official could not attend several sub-Committees at the same time. Further, there is danger in having a high and powerful officer of Parliament sitting at the Estimates Committee circle. He would either become an agent of the Minister or he would become an encroacher upon the Minister. A permanent secretariat, appointed, say, by the Speaker, would avoid any suggestion of interference with ministerial responsibility. That question would not, in fact, arise. If an Estimates Committee reported to the House that it did not find any justification for a certain estimate, and if

the House accordingly proposed a reduction, the Minister might resign—it is hoped his resignation would be immediately accepted and a more economical substitute found—but the cry of interference with ministerial responsibility could not be taken up against the whole House.

It amounts to this: nothing involving the expenditure of public money—either by way of Supply Services or new legislation—should be considered in the House unless it has been previously scrutinised and reported on financially by the Estimates Committee. In other words, the House should pass no legislation without as much knowledge as can be obtained of its financial consequences, and permit no expenditure without full knowledge of its necessity. The Estimates Committee would merely be a financial informer. It would take no decision of policy out of the mouth of the House: it would merely put information before its members.

### *Rules of Procedure*

The more difficult question remains by what machinery the Estimates Committee can be brought into relation with the House. That involves more drastic reform of the financial procedure than the Select Committee on National Expenditure attempted.

Presume it is peace-time, and the Estimates Committee has been set up at the beginning of the

Session, somewhere near the middle of February. The scrutiny of the Estimates Committee will take time, and it will be necessary for the Paymaster-General to be kept in funds for some weeks after April 1, the beginning of the financial year. It would seem only common sense for Committee of Supply to pass votes on account for the Supply Services until the Estimates Committee has completed its examination. As soon as the Estimates Committee reported on the estimates of any one department that report would be debated in Committee of Supply, and the Total Vote for that department disposed of.

There seems no real advantage in each Minister having more than one vote only—the total sum for which his department stands in the Budget. That was suggested to, and favoured by, the National Expenditure Committee. Committee of Supply, instead of taking so many votes for each department one by one, discussing probably only the first few and never reaching the remainder, would then take one vote for each Minister and on that vote discuss the relevant report made by the Estimates Committee.

Procedure could then be simplified still further. Even if it is considered sacrilege to touch the constitutional fiction of the personal demand of the Sovereign for money, there can be no sentimental or rational objection to abandoning the Parliamentary fiction that redress of grievances must precede supply. The eighteen opportunities which

the House holds of discussing generalities have only a formal connection with the consideration of Estimates, and, if any opportunity must be reserved, the appropriate time would seem to be when Committee of Supply is passing a Vote on Account to a Minister pending the report of the Estimates Committee on that Minister's total Estimates. If the Votes for numbers (Vote A) of the Army and Navy and Air Force are to continue—and they are not “Supply” at all—it would conceivably be useful to reserve these Votes also as opportunities for debating policy, with the Speaker in the Chair.

When the reports of the Estimates Committee on the Ministerial Votes have been discussed, and the Votes passed as they stand, or with amendments, it would be some relief to abolish the unnecessary duplication of Report Stage of Committee of Supply. The Estimates Committee has considered, examined, scrutinised, carefully and thoroughly, in actual detail; the whole House in Committee of Supply has considered, examined, scrutinised on broader lines of policy, again, and approved—what need for the whole House on Report to approve formally? What need for the whole House again, in Committee of Ways and Means, to approve the issue of the money out of the Consolidated Fund? What need for the whole House again to pass Acts—the Consolidated Fund Acts—to sanction threefold appro-

vals? What need for Warrants under the Royal Sign Manual before the money can yet be touched? There may be need for an annual Appropriation Act for the formal passing of accounts, but it is the taxpayer's money, and the taxpayer will say, being usually a man of common sense and given to bluntness of speech: "That vote passed in Committee of Supply, after careful scrutiny by an Estimates Committee, settles my fate. You know it and I know it; so why not say so and get on with it?" That is the common-sense point of view. And all that is required is the passing of a standing Act authorising the Treasury and the Comptroller of the Exchequer to handle the cash on the simple authority of the votes passed, an elementary business which they are now only authorised to do after days of preposterous circumlocutions of procedure.

The machinery of Parliamentary examination of estimates—on which, it must be remembered, Parliamentary control entirely depends—would become, under these conditions, simple instead of complex, efficient instead of dilatory. Not only would there be exhaustive scrutiny of the Votes by a specialist Estimates Committee, but the House itself, in Committee of Supply, would have ample time, and a positive obligation, to give thorough consideration to the reports which the Estimates Committee presented. There would be no particular time-honoured but outlived rules of financial



procedure left to embarrass it. The general rule alone might be maintained, which forbids the voting of money except at the demand and upon the responsibility of Ministers of the Crown, for its removal would assuredly let in the evil, which the American Congress knows too well, of faddist Members proposing appropriation of public money for faddist purposes and carrying them in snap divisions with the help of faddist friends. Nevertheless, there need be no rule of procedure to prevent a Member proposing the rejection of an estimate on account of its inadequacy—the farce of moving to *reduce* an estimate which it is desired to *increase* might well be avoided—as long as the general principle is maintained that the Estimates Committee should not be empowered to propose, nor Committee of Supply to carry, any increase in the total expenditure on any vote.

The procedure governing the Estimates Committee when it examines, as a whole Committee, the financial effect of new legislation, should be as simple and expeditious as the procedure governing Supply. A Bill, after being read a first time, should be committed to the Estimates Committee for immediate consideration and should not be read a second time in the House until the report of the Committee is presented. With the help of a permanent secretariat in touch with the departments, there is little reason why the Estimates Committee should delay

the average Bill very long. And, as the Select Committee on National Expenditure proposed, the terms of a money resolution required for a Bill containing a financial provision, should be placed on the notice paper of the House, the resolution should either embody or be accompanied by a white paper stating the probable sums involved in capital expenditure and in expenditure for the first year and subsequently, and where the conditions did not allow a forecast to be made, the fact should be so stated with the reasons. This would be the subject-matter which the Estimates Committee as a whole would examine.

### *Politics*

This reform of procedure would go far towards reform of debate. Discussion in Committee of Supply would have a chance of becoming purely financial instead of merely political.

The Estimates Committee would be a powerful influence for good. It has been proved by the Public Accounts Committee, and by the Estimates Committee of 1912 before its suspension in 1914, that party feeling can be banished from a purely financial Standing Committee. How much more would party politics be removed from the new Estimates Committee with a permanent secretariat to assist, significant estimates to work on, a heavy and important task to carry out promptly, new

hopes to fulfil and no past to forget ! The reports which the Estimates Committee presented to the whole House would, without doubt, be purely financial documents, without a suspicion of party politics to be read between their lines and figures. Committee of Supply would have every inducement, would practically be constrained, to look upon these purely financial reports primarily from the financial, and not from the political, point of view.

It is not conceivable, of course, that politics would be wholly removed from debate in Committee of Supply : nor is it right that it should. Committee of Supply must consider the estimates for Supply Services, not so much in the detail—which will already have been done by the specialist Estimates Committee—but from the broader point of view of policy, and policy is, in the language of the House of Commons, generally a euphemism for politics. But the speeches, wherein personalities, grievances, administrative gossip, party politics, are now crowded together in the one to twenty “ points ” which the private Member usually brings forward, would be a lesser-known phenomenon, and would perhaps become almost extinct.

The Minister, in introducing his estimates, would no longer be able to divert the House in his customary review of departmental administration, from the deep waters of finance to the shallows of politics, for his estimates *would already have been reported*

on by the *Estimates Committee*, and he would be bound to deal with whatever financial criticisms the *Estimates Committee* had passed. In other words, the Minister would be constrained to give the lead to the House to talk finance and not politics : and the House would be sure to follow where the best opportunity lay of calling the Minister to account.

Further, the convention that the Cabinet must treat as a vote of want of confidence each and every adverse motion carried in *Committee of Supply* would be quickly forgotten. A Government is not always anxious to precipitate trials of strength in divisions, and where criticism of the Votes was obviously financial, the Government could accept minor variations in the *Estimates* without a suggestion of any loss of prestige. It would be abundantly clear when the House wished to take up a question of policy and not a mere correction of an estimate.

Clearly, under these conditions, which are not so ideal that they cannot readily be introduced, control of the national expenditure would be facilitated, not prevented, by the internal proceedings of the House of Commons.

An expert Committee would examine thoroughly every detail of the estimates for Supply Services, every detail of the forecasts for new services. The whole House, in Committee, would be able to review the respective Votes for each department broadly, and need no longer repeat the farce of passing in the

last few minutes on the last day allotted to Supply one-third to a half of the total national expenditure. Procedure would be reduced to a few straightforward rules making for efficiency of debate: politics would no longer drive out finance and make financial criticism impossible. In other words, if ever the public expenditure can be controlled, the House of Commons would be in the position to control it.

### III.—IDEAL INFORMATION

The ideal form of the public estimates and accounts, which is to make a paper control of expenditure a real one, would be a development along the lines indicated in the seventh report of the National Expenditure Committee—the complete application to other services of the principles worked out by Sir Charles Harris for Army services. The public estimates and accounts must be exponents of the science which has been said to consist of exact measurement. It is a science which is only beginning to be understood in England. Even in an enlightened corporation like the City of Manchester it is only applied in the Corporation Accounts to show the cost per mile of the tramways; and in the London County Council's Estimates for 1917-18 it is only a *supplemental* statement which gives the gross and net cost per child for all the various schools and places of detention, or the gross and

net cost per student in training colleges, technical institutes and schools of art. The field for the application of these principles of exact measurement is immense, and the most fertile field is the national estimates and accounts.

It is futile for the House of Commons to listen to the pious opinion of the Minister as to whether the public is getting good value for the money which his department is spending, to form general impressions from the assurance or the seriousness or the pleasantness or the honesty which the Minister shows in making a speech. The House must look at figures; results must be sized up exactly; the public services must be reduced to units of cost. It is only by comparison of one unit of cost with another, of one year's results with another, that a precise opinion can be formed of the merit of Government expenditure. It is not an easy matter to find suitable units of cost for every phase of Government activity: the expert accountant and the experienced administrator must collaborate, invent and experiment. But once the unit of cost is determined and comparisons made, the process of deduction is simple. The method is scientific, but "science," as Huxley said, "is organised common sense." An Estimates Committee, devoting its whole time to examination of estimates based upon units of costs with corresponding actual accounts, may, by comparative analysis, size up



for consideration by the whole House an exact judgment on the merit of the Government's administrative performances. To take examples. In railway traffic there is the cost per ton-mile or per passenger-mile; in docks, depôts, stores, there is the cost per ton handled; in routine clerical work, the cost per thousand transactions; the foot-rule can determine the candle-power of electric light needed for the floor space of rooms, corridors and passages, or the floor area and the cube needed for the accommodation of given numbers in offices, barracks, hospitals and prisons. The work, for example, at a Post Office counter varies between the issue and sale of stamps, postal orders, money orders, licences, the payment of pensions, separation allowances, dividends on War Bonds, the receipt of parcels, the registration of letters, the despatch of telegrams and what not. Yet these different heads of business can probably be reduced to a common unit, based upon the number of operations of each kind which can be carried out in the same period of time, the work can be measured against the staff and the costs of one Post Office compared with another. By these methods it might be found, for example, that in some offices the cost of the Savings Bank business is 8*d.* per transaction, in others only 4*d.* And even if the disturbing element is introduced, say, of a difference in the number of hours worked at various offices, that element is



often itself susceptible of measurement or approximate evaluation. And it is better to apply exact measurement as far as it will go than to form an unaided judgment. The House of Commons cannot hope to make its control a real one without the universal application of comparative statistical and costing methods to the public estimates and accounts. "Cost accounting," it is somewhere said, "is the great detective of waste and inefficiency."

Suppose that the new Estimates Committee were examining Army Estimates classified into significant units of cost. The House of Commons might be asked to vote for Army hospitals at the rate of  $x$  shillings per occupied bed per day. The Estimates Committee might find that in the Estimates of the Admiralty the cost per occupied bed per day in Naval hospitals was  $x-y$  shillings. The Estimates Committee, if it obtained no satisfactory explanation from the War Office officials who gave evidence, why the cost of an Army hospital bed should be as high as  $x$  shillings, would mention the matter in its report to Committee of Supply, and Committee of Supply, if it was dissatisfied with the answer of the Secretary of State for War, might reduce the total Army Vote by an amount proportionate to the difference between the cost of a naval and a military hospital bed. The Secretary of State for War might or might not hand in his resignation, but the sure result would be that the War Office

would inquire into the interior economy of its military hospitals and effect some reduction in the cost of their maintenance. That is an instance of how the House of Commons would exercise a real control of the national expenditure. Instances would be multiplied when the whole of the public estimates and accounts lend themselves to comparative analysis. The eyes of the House of Commons would at last be opened to the vision of economy and efficiency in administration.

#### IV.—IDEAL DELEGATION

It is not suggested that even the House of Commons so reformed would be able to detect every opportunity for economy. The financial control of the Legislature will not be ideal without an occasional delegation of powers to Committees or Commissions. From time to time inquisitorial investigations will be necessary to give a fillip to the financial keenness of both politician and administrator.

Occasional Select Committees on National Economy or Expenditure are indispensable to any system of Parliamentary control. There are certain inquiries which only a Committee can undertake which has been appointed to devote its whole time and energies to reporting on a particular subject. The immense work, for example, of the Select Committee on Finance, set up in 1797 to examine

and state the total amount of the public debt and of the produce of taxes, could never have been carried through by the whole House and would have been shirked in the departments. Nor can the machinery of Government be adequately overhauled except by a special inquiry under the authority of an order of the House. It is not suggested that the occasional Select Committee can affect the control of current expenditure. Its influence is, of course, *post mortem*: it depends upon whether it leaves behind it sensible recommendations, and especially whether those recommendations are carried out by a generally ungrateful Government. But it may be taken that for purposes of making an occasional inquiry into, and report on, the state of the public expenditure at any particular time, for purposes of examining and reporting on the machinery for financial control at any particular time, delegation to an occasional Select Committee is not only an invaluable help to the House of Commons, but a necessity.

Moreover, the methods of the occasional Select Committee do good, not only to the Member of Parliament, but to the official. It has power to summon witnesses, send for all papers, documents and records relevant to the terms of its reference. It throws the light of publicity on to the particular subject it investigates: it publicly fixes responsibility on officials. The departments are brought

face to face with the supreme controllers of their expenditure. The Select Committee on National Expenditure of 1917-18, with its occasional mentioning of names, is a striking example of the searchlight function which the House of Commons should not ignore.

And it may be necessary for Parliament to appoint an outside Commission to come to its assistance before its ideal system of control is realised. There are economies to be made in what has been called "the art and technique of administration," which not even a Committee of the House of Commons can properly undertake. It is a task which involves a minute knowledge of the routine and technique of Government offices and of the mechanical appliances and other labour-saving devices that are in use in other countries and in other spheres of administration. It can only be undertaken by an outside body of experts superior to the Civil Service in *expertise*, and, unlike the Member of Parliament, with unlimited time at its disposal. The American Commission on Economy and Efficiency, which President Taft set up in 1912, is good evidence of what reforms an outside Commission can suggest. Five experts, concentrating their brains on the problems of general economy, went round to see for themselves, studied outside methods, and applied them to Government administration. These recommendations embraced practically everything from the

preparation and submission of a model Budget to the use of window envelopes in Government offices. They reported, for instance, that instead of destroying the paper currency of Government in the old-fashioned way, the paper should be "de-inked and de-fibered" by modern processes and used again—with the resultant saving of 100,000 dollars a year. They inquired into the system of handling and filing correspondence—showed, for instance, that the average cost of receiving and opening mail per 1000 communications ran from 1 dollar 21 cents a 1000 in the Navy Department to 13 dollars 63 cents in the Department of Justice—and they recommended an improved classification of records by the "decimal system," with a resultant saving of 200,000 dollars a year, and the abolition of "briefing" correspondence—docketing it with the subject, date and so on—with a saving in salaries alone of 88,500 dollars a year. The Adjutant-General's Department was investigated and the Commission found that the cost was unnecessarily high, that the methods of handling correspondence were antiquated and complicated—result, a saving proposed of 300,000 dollars a year.

In another report the phonograph was recommended as an economy in the preparation of correspondence and the Commission estimated a saving of 500,000 dollars a year if the phonograph were universally adopted.

It is not to be supposed that the official in Washington is necessarily of a more wasteful species than the official in Whitehall. What economies the American Commission has suggested by the substitution of modern business methods for the antiquated methods of officialdom, could possibly be repeated by a British Commission working on the same lines. The House of Commons might not trust the Treasury to preach whole-heartedly the abolition of red tape to the offices of Whitehall, and it cannot always extract the truth by "sending for persons, papers and records" before its Select Committees. But a Commission of outside experts can make local inspections, take ocular evidence, get down to bed-rock fact. The House of Commons may find it necessary to stiffen its paper control of expenditure by nothing short of an occasional Inquisition.

By these means the national expenditure may be controlled from the point of view of economy and efficiency in administration. It is not an unattainable ideal. The two basic principles are businesslike proceedings in the House of Commons and significant information in the public estimates and accounts. For the first, an order of the House may set up an Estimates Committee and an Act of Parliament may abolish the circumlocutions of financial procedure; for the second, it lies with the Treasury to change the form of the public estimates and accounts, but if the order should be delayed



or half-hearted or withheld, an outside Commission of experts may be required, as it was in America, to show how departmental administration can be brought to the test of statistical control and cost accounting.

Nor could the time be more fitting. "The unprecedented cataclysm of public expenditure which has come with the war," as Mr. Herbert Samuel's Committee has said, "constitutes a break between the past and the future," and singles out the period of reconstruction as a golden opportunity for reformation. It is good to know that America has not even waited. Congressman Medill McCormick introduced in the House of Representatives in March 1918, a series of bills and resolutions providing for a budget system of finance, a single budget Committee to be set up which shall report the estimates, with proposals for revenue legislation, to the House in the form of a single Bill, a single Committee to examine the departmental accounts, and an Auditor-General to work in conjunction. If America can improve its financial system in time of war it is not for Great Britain to lag behind in the period of reconstruction.

But the fate of the British taxpayer lies in the hand of his Member of Parliament. The way of controlling the public expenditure is plain: the will of the politician is uncertain. Nothing will be achieved until the House of Commons acquires a



financial conscience; and it will never acquire a financial conscience as long as, on the one hand, it fears the Whips more than *2d.* on the Income Tax, and on the other hand, the public accounts do not plainly represent the truth.

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## APPENDIX

### TYPICAL PORTIONS OF ARMY ESTIMATES IN THE OLD AND IN THE MODEL FORM COMPARED

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[The figures in the Model Form are purely illustrative,  
and no significance is to be attached to them.]

ABSTRACT OF ARMY ESTIMATES (1914-15):  
THE OLD FORM

Votes.	Gross Estimate.	Appropriations in Aid.	Net Estimate.
<b>EFFECTIVE SERVICES :</b>	<b>£</b>	<b>£</b>	<b>£</b>
1. Pay, etc., of the Army . . . . .	10,150,000	1,445,000	8,705,000
2. Medical Establishment: Pay, etc. . . . .	438,600	1,600	437,000
3. Special Reserve . . . . .	733,000	9,000	724,000
4. Territorial Forces . . . . .	3,091,650	5,650	3,086,000
5. Establishments for Military Education . . . . .	254,620	98,620	156,000
6. Quarters, Transport and Remounts . . . . .	1,802,000	70,000	1,732,000
7. Supplies and Clothing . . . . .	4,612,200	224,200	4,388,000
8. Ordnance Department Establishments and General Stores . . . . .	846,000	225,000	621,000
9. Armaments, Engineer Stores and Aviation . . . . .	2,115,000	383,000	1,732,000
10. Works and Buildings . . . . .	2,944,980	153,980	2,791,000
11. Miscellaneous Effective Services . . . . .	67,200	8,200	59,000
12. War Office . . . . .	458,000	1,000	457,000
<b>Total Effective Services . . . . .</b>	<b>27,513,250</b>	<b>2,625,250</b>	<b>24,888,000</b>
<b>NON-EFFECTIVE SERVICES :</b>			
13. Half Pay, Retired Pay, and other Non-Effective Charges for Officers, etc. . . . .	2,350,870	504,870	1,846,000
14. Pensions and other Non-Effective Charges for Men, etc. . . . .	2,515,000	538,000	1,977,000
15. Civil Superannuation, Compensation and Gratuities . . . . .	134,080	80	134,000
<b>Total Non-Effective Services . . . . .</b>	<b>4,999,950</b>	<b>1,042,950</b>	<b>3,957,000</b>
<b>Total Effective and Non-Effective Services . . . . .</b>	<b>32,513,200</b>	<b>3,668,200</b>	<b>28,845,000</b>

# ABSTRACT OF ARMY ESTIMATES (1921-22): THE MODEL FORM

	Debits. £	Credits. £	£
<b>HEAD I.—MAINTENANCE OF STANDING ARMY.</b>			
A. Combatant Troops . . . . .	12,058,400		
B. Administrative and Departmental Troops . . . . .	1,665,400		
			13,723,800
<b>HEAD II.—WORKING EXPENSES OF HOSPITALS, DEPÔTS, FACTORIES, ETC., TOGETHER WITH COST OF EDUCATIONAL AND OTHER ESTABLISHMENTS.</b>			
A. Hospitals . . . . .	1,040,375		
B. Depôts . . . . .	2,569,375		
C. Factories . . . . .		1,500	
D. War Department Land and Buildings . . . . .		332,400	
E. Educational Establishments . . . . .	133,200		
F. Technical Establishments . . . . .	239,400		
G. Hospitals for Pensioners . . . . .	42,609		
			3,691,059
<b>HEAD III.—WAR OFFICE STAFF OF COMMANDS, ETC.</b>			
A. War Office . . . . .	952,000		
B. Inspector-General of the Forces . . . . .	26,700		
C. Staff of Commands . . . . .	600,000		
			1,578,700
Total of Estimated Maintenance Expenditure for the Year . . . . .	19,327,459	333,900	18,993,559
<b>HEAD IV.—CAPITAL ACCOUNTS.</b>			
A. Stock Accounts . . . . .		798,600	
B. New Buildings . . . . .	1,262,000		
C. Factories . . . . .	1,500		
Net Increase of Capital . . . . .			464,900
<b>HEAD V.—HALF PAY, RETIRED PAY, PENSIONS, AND CIVIL SUPERANNUATIONS . . . . .</b>	2,550,000	1,871,600	678,400
Grand Total . . . . .	23,140,959	3,004,100	20,136,859
<i>Deduct—</i>			
Increase of estimated liabilities at 31st March, 1922, over liabilities at 31st March, 1921 . . . . .		700,000	
Decrease of amounts due to War Department, 31st March, 1922, as compared with 31st March, 1921 . . . . .		136,859	
			836,859
Estimated Cash required for Army Services . . . . .			19,300,000

## CASH STATEMENT

	1921-22.	—	Explanations.
	£	£	
<b>ESTIMATED—</b>			
Cash Payments chargeable against Army Funds . . . . .	20,000,000		Cash required in 1919-20 amounted to £20,300,000, a decrease of £1,000,000.
<i>Less</i>			
Estimated Appropriations in Aid . . . . .	700,000		
Estimated Cash required for Army Services . . . . .	19,300,000		

## ARMY ESTIMATES (1914-15): THE OLD FORM

## VOTE I.—PAY, ETC., OF THE ARMY

SUB-HEADS.	1914-15.	1913-14.
	£	£
A. Pay, etc., of Department of Inspector-General of the Forces . . . . .	13,000	13,000
B. Pay, etc., of Staff of Commands, etc. . . . .	367,500	333,500
C. Regimental Pay and Extra Pay and Messing Allowance . . . . .	7,180,500	7,204,500
D. Regimental Allowances, etc. . . . .	156,000	148,000
E. Recruiting Staff and Expenses . . . . .	38,500	36,300
F. Gratuities and Deferred Pay to Soldiers on Discharge, etc. . . . .	229,000	190,000
G. Pay, etc., of the Army Reserve . . . . .	1,352,000	1,351,000
H. Field Training . . . . .	230,000	214,000
J. Pay, etc., of Establishment of the Cavalry, etc., Schools . . . . .	19,500	20,200
K. Pay, etc., of Establishment of Schools of Gunnery . . . . .	30,000	29,100
L. Pay, etc., of Establishments of Schools of Engineering . . . . .	23,300	23,500
M. Pay, etc., of Establishment of Central Flying School . . . . .	29,500	23,800
N. Pay, etc., of Establishment of School of Musketry . . . . .	16,300	16,200
O. Pay, etc., of Establishment of Gymnastic Instructors . . . . .	16,200	15,850
P. Pay, etc., of Chaplains' Department and Officiating Clergymen . . . . .	68,500	69,200
Q. Pay, etc., of Army Veterinary Service . . . . .	42,900	43,600
R. Pay, etc., of Army Pay Department . . . . .	101,900	100,800
S. Pay, etc., of Establishment of Judge Advocate General and Courts-martial Expenses . . . . .	3,850	3,850
T. Pay, etc., of Establishments of Military Prisons . . . . .	16,700	17,700
U. Rewards, etc., for Apprehension of Deserters, etc. . . . .	2,400	2,400
W. Wages of Civilians attached to Units, etc. . . . .	33,000	30,500
X. Expenses of Native Indian Troops . . . . .	179,000	175,500
Y. Miscellaneous and Unforeseen Charges . . . . .	450	500
Total Gross Estimate . . . . .	10,150,000	10,063,000
Z. Deduct Appropriations in Aid . . . . .	1,445,000	1,440,000
Net Total . . . . .	8,705,000	8,623,000



**ARMY ESTIMATES (1921-22): THE MODEL FORM**  
**HEAD I.—MAINTENANCE OF STANDING ARMY**

A. COMBATANT TROOPS	1921-22.	1920-21.
<b>CAVALRY :</b>	£	£
3 Regiments Household Cavalry at £58,000 .	174,000	173,500
19 Regiments Line Cavalry at £81,000 . .	1,539,000	1,538,500
3 Depôts Line Cavalry at . . . .	—	—
<b>ARTILLERY :</b>		
14 Batteries R.H.A. at £22,000 . . . .	308,000	300,000
Depôts, etc. . . . .	—	—
102 Batteries R.F.A. at £15,500 . . . .	1,581,000	1,600,000
Depôts, etc. . . . .	—	—
62 Companies R.G.A. at £102 per Head (13,000)	1,326,000	1,325,000
<b>INFANTRY :</b>		
9 Battalions Foot Guards at £68,000 per Battalion . . . . .	612,000	610,000
96 Battalions Line Infantry at £67,900 per Battalion . . . . .	6,518,400	6,578,000
etc. etc. . . . .	—	—
<b>Total Combatant Troops . . . . .</b>	<b>12,058,400</b>	<b>12,125,000</b>
<b>B. ADMINISTRATIVE AND DEPARTMENTAL TROOPS</b>	<b>—</b>	<b>—</b>
<b>R.E. :</b>		
9,800 All Ranks at £108 per Head . . . .	1,058,400	
Less provided under Buildings, viz.—		
Maintenance . . . . . 50,000		
Capital Account . . . . . 410,000		
	460,000	
<b>R.A.M. Corps :</b>		598,400
3,000 All Ranks at £300 per Head . . . .	900,000	
Less provided under Hospitals . . . . . 400,000		
“ “ R.M. College . . . . . 20,000		
	420,000	
<b>A.S. Corps :</b>		480,000
6,000 All Ranks at £130 per Head . . . .	780,000	
Less provided under Depôts . . . . . 300,000		
		480,000
<b>A.O.D. and Corps :</b>		
2,500 All Ranks at £155 per Head . . . .	387,500	
Less provided under Depôts, etc. . . . . 280,500		
		107,000
etc. etc. etc.		
<b>Total . . . . .</b>		<b>1,665,400</b>
<b>TOTAL, HEAD I. . . . .</b>		<b>£13,723,800</b>

ARMY ESTIMATES: THE MODEL FORM  
HEAD II.—WORKING EXPENSES OF HOSPITALS, STORE DEPÔTS, AND OTHER  
ESTABLISHMENTS\*

ESTIMATES.		1921-22.	1920-21.	Explanations
A. HOSPITALS:		£	£	
Out-patients		210,000		
7,000 Beds at average daily cost of 6s. 6d. per day occupied bed,				
including £400,000 for R.A.M.C. personnel . . . . .		830,375		
Total Sub-head A. . . . .		<u>1,040,375</u>		
B. DEPÔTS, ETC.				
CLOTHING AND STORE DEPÔTS:				
Working expenses estimated at 5s. per ton for 4,000,000 tons,		1,000,000		
including £280,500 for A.O.D. personnel . . . . .				
SUPPLY DEPÔTS:				
Working expenses estimated at 5s. per ton for 4,500,000 tons,		1,250,000		
including £300,000 for A.S.C. personnel . . . . .				
REMOUNT FARMS:				
Working expenses estimated at 5s. a day for 3,500 horses . . . . .		319,375		
Total Sub-head B. . . . .		<u>2,569,375</u>		
C. FACTORIES.				
ELECTRICITY SUPPLY STATIONS:				
Estimated production expenses on 2 million B.T.U.:				
at 2·6 pence per unit . . . . .		21,666		
Less all charged to Units and Establishments . . . . .		<u>21,666</u>		
CLOTHING FACTORY:				
Working expenses (including work in progress) . . . . .		270,000		
Less value of finished production . . . . .		<u>271,500</u>		
Total Sub-head C. . . . .		<u>Cr. 1,500</u>		
The actual cost of the finished productions of this Factory will be charged to Clothing Stock account. The Balance represents the anticipated decrease of work in hand at the end of the year.				

## D. WAR DEPARTMENT LANDS AND BUILDINGS.

## WAR DEPARTMENT LANDS:

Estimated Expenditure on War Office lettings	.	.	.	10,000
Commission and pay of land agents and others	.	.	.	2,600
Woodlands, Sawmills, Sewage Farms, etc.	.	.	.	7,000

## Less Appropriations in Aid—

Rents receivable	.	.	51,000	
Revenue from Woodlands, Sawmills and Sewage Farms	.	.	4,000	
Rental Value of War Department Buildings occupied	.	.	300,000	355,000

Cr. 335,400

## BUILDINGS—GENERAL CHARGES:

Departmental Officers and Staff	.	.	.	100,000
Wages, Tools and Plant, and other charges	.	.	.	102,000

202,000

165,000

37,000

202,000

done, viz.—

Capital (£797,000)	.	.	.	165,000
Maintenance (£181,000)	.	.	.	37,000

## BUILDINGS—MAINTENANCE

Value of R.E. Labour	.	.	.	50,000
Materials (from stock)	.	.	.	80,000
Civil Labour, Contract Work, etc.	.	.	.	51,000
Share of General Charges (see above)	.	.	.	37,000

218,000

205,000

10,000

215,000

3,000

133,200

239,400

42,609

## Provided under Units and Establishments

Rifle Ranges	.	.	.	205,000
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215,000

10,000

3,000

133,200

239,400

42,609

Cr. £332,400

Total

133,200

239,400

42,609

Cr. £332,400

Total

133,200

239,400

42,609

133,200

239,400

42,609

Cr. £332,400

Total

133,200

239,400

42,609

## TOTAL, HEAD II.

£3,691,059.

• There are no Votes in the old form with which this can be compared.

## ARMY ESTIMATES: THE OLD FORM

## VOTE 7.—SUPPLIES AND CLOTHING

SUPPLIES	1914-15.	1913-14.
A. Cost of Provisions and Allowances in lieu . . . . .	£ 1,615,000	£ 1,614,000
B. Cost of Forage and Allowances in lieu and paillasse Straw . . . . .	735,000	859,000
C. Cost of Fuel and Light and Allowances in lieu . . . . .	539,500	487,400
D. Colonial Allowances . . . . .	95,200	86,700
E. Water Supply . . . . .	66,700	66,800
F. Advertisements in Newspapers . . . . .	3,600	3,600
	3,055,000	3,117,500
G. <i>Deduct</i> —Appropriations in Aid (connected with the foregoing Sub-heads) . . . . .	60,000	53,500
Net Total, Supplies . . . . .	2,995,000	3,064,000
ROYAL ARMY CLOTHING DEPARTMENT (Exclusive of Factory)		
H. Pay, Wages, etc., of Clothing Establishments . . . . .	97,700	100,000
J. Rents and Water Supply of Clothing Depart- ment . . . . .	4,400	4,400
K. Contracts for making Clothing . . . . .	63,200	47,000
L. Materials obtained by Contract to be made into Clothing and for issues on Payment . . . . .	192,700	140,400
M. Manufactured Articles of Clothing, etc., bought ready-made . . . . .	386,600	459,500
N. Clothing Allowances, etc. . . . .	530,000	549,000
O. Machinery, Tools, etc., for Clothing Depart- ment . . . . .	800	600
	1,274,400	1,300,900
P. <i>Deduct</i> —Appropriations in Aid (Clothing De- partment) . . . . .	156,000	129,000
	1,118,400	1,171,900
CLOTHING FACTORY		
Q. Establishment and Wages of Clothing Factory . . . . .	75,600	75,700
R. Value of Materials obtained from Store . . . . .	206,000	202,400
S. Machinery and Miscellaneous Charges for Clothing Factory . . . . .	1,200	1,000
	282,800	279,100
T. <i>Deduct</i> —Appropriations in Aid (Clothing Factory) . . . . .	8,200	8,000
Net Total, Clothing Factory . . . . .	274,600	271,100
Net Total, Clothing Services . . . . .	1,393,000	1,443,000
Total, Vote 7 . . . . .	4,388,000	4,507,000

ARMY ESTIMATES: THE MODEL FORM  
HEAD IV.—CAPITAL ACCOUNTS. A. STOCK ACCOUNTS

	1921-22.	1920-21.
<i>Supplies :</i>	£	£
Estimated Purchases . . . . .	6,000,000	
Estimated Departmental Manufactures from Bakeries, Sausage Factories, etc. . . . .	460,000	
Less . . . . .	6,460,000	
Estimated Issues to Troops, etc., provided under Maintenance of Units . . . . .	6,400,000	
Estimated Net Increase in Stock . . . . .	60,000	
viz.:—Stock, April 1, 1921 . . . . .	1,800,000	
Stock, March 31, 1922 . . . . .	<u>1,860,000</u>	
<i>Clothing :</i>		
Estimated Issues to Troops during Year, provided under Maintenance of Units, etc. . . . .	3,000,000	
Less Estimated Purchases. . . . .	2,500,000	
Less Estimated Manufactures from Factory . . . . .	291,400	
Estimated Net Decrease in Stock . . . . .	Cr. 208,600	
viz.:—Stock, April 1, 1921 . . . . .	8,200,000	
Stock, March 31, 1922 . . . . .	<u>7,991,400</u>	
<i>Stores :</i>		
Estimated Issues to Troops, provided under Maintenance of Units and Establishments	6,000,000	
Deduct—		
Estimated Purchases during Year	5,000,000	
Estimated Departmental Manufactures . . . . .	600,000	
Net Credit . . . . .	400,000	
Further Credit for Issues on Repayment . . . . .	300,000	
Total Credit, being the Net Decrease in Stocks during the Year . . . . .	Cr. 700,000	
viz.:—April 1, 1921 . . . . .	7,000,000	
March 31, 1922 . . . . .	<u>6,300,000</u>	
<i>R.E. Stores and Materials, Stock Account, etc., etc.</i>		
Total: Sub-head A. Stock Accounts . . . . .	Cr. £798,600	



# INDEX

Reference is to pages.

S.C. Nat. Ex. ('17-18) is abbreviation for Select Committee on National Expenditure of 1917-18.

## A

ACCOUNTS, Annual (Consolidated Fund Services), 146; Appropriation, *see under* Appropriation; Army, *see under* Army; Commissioners of, *see under* Commissioners; miscellaneous public, 147, 149, 158-9; revenue and expenditure, *see under* Finances; store, *see under* Store.

Adams, Professor, 126

Admiralty, 208; *see also* Navy.

— Dockyard Expense Accounts, 110, 149, 159

American Congress, 118, 211  
n. (i), 224; financial reform, 237; *see also* Commission on Economy and Efficiency

Anderson, Sir W., 107, 108

Anne, Queen, 89, 95, 96, 98

Appropriation, development of (Edward III), 38-9; (Richard II), 42-3; (Lancastrians), 51-2; (Tudors), 62-3; (Stuarts), 66, 78-9; (Revolution period), 87-8, 89-90; (post-Revolution), 96-7; (Transitional period), 105-6; (Gladstone), 107-8; effects of, on administration, 164-8; statutory, 121-2, 165 n. (i), 208; sub-heads of, 207-8

— Accounts, 144-5, 147, 148; historical development of, 103, 104, 105-6, 110; criticism of (in-

accuracies), 160-3; (non-significance), 154-8, 160; (not designed to secure economy and efficiency), 152-4; ideal, 228-32; reform of, by S.C. Nat. Ex. ('17-18), 196-209 *passim*

— Act, 125, 223

Army, 87-8, 91; *see also* War Office

— Accounts, 49, 110, 160

— Appropriation, effects of, on administration, 165, 166-8

— Estimates, 147, 155-6, 160; new form of, 205-7, 231-2; *see also* Appendix

— and Navy Audit Act, 110

Audit, Board of, 99, 100, 105, 110

—, Parliamentary, historical development of (Edward III), 39-40; (Richard II), 42-3; (Lancastrians), 52-3; (Tudors), 63, 64; (Pre-Rebellion Stuarts), 66; (Commonwealth), 69; (Restoration Stuarts), 73, 78-9, 81-2; (Revolution), 89, 90; (Post-Revolution), 95, 98-9; (Transitional period), 105-6; (Gladstone), 108-10; judicial in character, 213; processes of, 144-5, 147, 169-72

## B

Bagehot, Walter, 112-13

Balfour, Rt. Hon. A. J., 131



Bank of England, 104; report of S.C. Nat. Ex. ('17-18) on, 176  
 Baring, Sir F., 108  
 Barrack-Master General, 101  
 Bill of Rights, 85  
 Board of Trade, report of S.C. Nat. Ex. ('17-18) concerning, 177, 180, 182  
 Bowles, Mr. T. Gibson, 166  
 Bradbury, Sir J., 199, 207-8  
 Bread Subsidy, report of S.C. Nat. Ex. ('17-18) on, 176  
 Budget of 1433, 56  
 "Budget" control, 153, 200-2

## C

Cabinet, 93, 133, 183; powers of, 128, 130-2; War, 25, 138  
 Charles I, 28, 35, 65-8, 70, 83, 88, 123  
 Charles II, 35, 70-9; 82, 86, 88, 119  
 Civil Contingencies Fund, 218  
 — List, 85-6, 96, 99  
 Commission, delegation to, 234-6  
 — on Economy and Efficiency, 211-12, 234-6  
 Commissioners of Accounts, 39-40, 79-81, 89, 91, 98, 99, 103  
 Committee, *see under* Estimates, Public Accounts, Select Committees, Supply, and Ways and Means  
 Commonwealth, 68-70  
 Comptroller and Auditor-General, appointment of, 108, 110; functions of, 145, 146, 147, 148, 149, 159, 169-70, 172; S.C. Nat. Ex. ('17-18) on, 194, 208  
 Comptroller of the Exchequer, 100, 110  
 Congress, *see under* American  
 Consolidated Fund, 103-4, 161, 222; *see also* Accounts

Consolidated Fund Act (1787), 104  
 — — — Acts, 124, 125; proposed abolition of, 222  
 — — — Services, 145 146, 149, 150, 161-3  
 Control of expenditure, *see under* Expenditure  
 Cost accounts, 167-8, 180, 204-7, 228-32  
 Cox, Mr. Harold, 161-2  
 Cromwell, 28, 68-9  
 Crown, *see under* Kings (under their names); *see also under* Executive

## D

Dannreuther, Mr. S., 199-200  
 Delegation to Committees, etc., 214-16, 232-7  
 Dunning's Resolution (1780), 98  
 Durell, Colonel, A.V., C.B., 21 n. (i)

## E

Economy and efficiency in administration, 23-4, 29, 62, 152, 211, 214, 234-6  
 Edward I, 33, 36; Edward II, 34, 36; Edward III, 36, 38-41; Edward IV, 52; Edward VI, 64  
 Elizabeth, Queen, 61, 62-3, 65, 120  
 English Constitution, 21, 26-7  
 Estimates, analysis of, 146, 147-8; Army, *see under* Army; classes of, 216, 217; criticism of (inaccuracies), 160-3, 196-7; (non-significance), 154-8, 196; (not designed to secure economy and efficiency), 152-4; historical development of (Charles I), 66, 73; (Charles II), 77, 82; (William III), 87, 88-9; (Whig Aristocrats), 100, 101, 102, 103, 104, 105, 106, 107, 108, 109, 110, 111, 112, 113, 114, 115, 116, 117, 118, 119, 120, 121, 122, 123, 124, 125, 126, 127, 128, 129, 130, 131, 132, 133, 134, 135, 136, 137, 138, 139, 140, 141, 142, 143, 144, 145, 146, 147, 148, 149, 150, 151, 152, 153, 154, 155, 156, 157, 158, 159, 160, 161, 162, 163, 164, 165, 166, 167, 168, 169, 170, 171, 172, 173, 174, 175, 176, 177, 178, 179, 180, 181, 182, 183, 184, 185, 186, 187, 188, 189, 190, 191, 192, 193, 194, 195, 196, 197, 198, 199, 200, 201, 202, 203, 204, 205, 206, 207, 208, 209, 210, 211, 212, 213, 214, 215, 216, 217, 218, 219, 220, 221, 222, 223, 224, 225, 226, 227, 228, 229, 230, 231, 232, 233, 234, 235, 236, 237, 238, 239, 240, 241, 242, 243, 244, 245, 246, 247, 248, 249, 250, 251, 252, 253, 254, 255, 256, 257, 258, 259, 260, 261, 262, 263, 264, 265, 266, 267, 268, 269, 270, 271, 272, 273, 274, 275, 276, 277, 278, 279, 280, 281, 282, 283, 284, 285, 286, 287, 288, 289, 290, 291, 292, 293, 294, 295, 296, 297, 298, 299, 300, 301, 302, 303, 304, 305, 306, 307, 308, 309, 310, 311, 312, 313, 314, 315, 316, 317, 318, 319, 320, 321, 322, 323, 324, 325, 326, 327, 328, 329, 330, 331, 332, 333, 334, 335, 336, 337, 338, 339, 340, 341, 342, 343, 344, 345, 346, 347, 348, 349, 350, 351, 352, 353, 354, 355, 356, 357, 358, 359, 360, 361, 362, 363, 364, 365, 366, 367, 368, 369, 370, 371, 372, 373, 374, 375, 376, 377, 378, 379, 380, 381, 382, 383, 384, 385, 386, 387, 388, 389, 390, 391, 392, 393, 394, 395, 396, 397, 398, 399, 400, 401, 402, 403, 404, 405, 406, 407, 408, 409, 410, 411, 412, 413, 414, 415, 416, 417, 418, 419, 420, 421, 422, 423, 424, 425, 426, 427, 428, 429, 430, 431, 432, 433, 434, 435, 436, 437, 438, 439, 440, 441, 442, 443, 444, 445, 446, 447, 448, 449, 450, 451, 452, 453, 454, 455, 456, 457, 458, 459, 460, 461, 462, 463, 464, 465, 466, 467, 468, 469, 470, 471, 472, 473, 474, 475, 476, 477, 478, 479, 480, 481, 482, 483, 484, 485, 486, 487, 488, 489, 490, 491, 492, 493, 494, 495, 496, 497, 498, 499, 500, 501, 502, 503, 504, 505, 506, 507, 508, 509, 510, 511, 512, 513, 514, 515, 516, 517, 518, 519, 520, 521, 522, 523, 524, 525, 526, 527, 528, 529, 530, 531, 532, 533, 534, 535, 536, 537, 538, 539, 540, 541, 542, 543, 544, 545, 546, 547, 548, 549, 550, 551, 552, 553, 554, 555, 556, 557, 558, 559, 560, 561, 562, 563, 564, 565, 566, 567, 568, 569, 570, 571, 572, 573, 574, 575, 576, 577, 578, 579, 580, 581, 582, 583, 584, 585, 586, 587, 588, 589, 590, 591, 592, 593, 594, 595, 596, 597, 598, 599, 600, 601, 602, 603, 604, 605, 606, 607, 608, 609, 610, 611, 612, 613, 614, 615, 616, 617, 618, 619, 620, 621, 622, 623, 624, 625, 626, 627, 628, 629, 630, 631, 632, 633, 634, 635, 636, 637, 638, 639, 640, 641, 642, 643, 644, 645, 646, 647, 648, 649, 650, 651, 652, 653, 654, 655, 656, 657, 658, 659, 660, 661, 662, 663, 664, 665, 666, 667, 668, 669, 670, 671, 672, 673, 674, 675, 676, 677, 678, 679, 680, 681, 682, 683, 684, 685, 686, 687, 688, 689, 690, 691, 692, 693, 694, 695, 696, 697, 698, 699, 700, 701, 702, 703, 704, 705, 706, 707, 708, 709, 710, 711, 712, 713, 714, 715, 716, 717, 718, 719, 720, 721, 722, 723, 724, 725, 726, 727, 728, 729, 730, 731, 732, 733, 734, 735, 736, 737, 738, 739, 740, 741, 742, 743, 744, 745, 746, 747, 748, 749, 750, 751, 752, 753, 754, 755, 756, 757, 758, 759, 760, 761, 762, 763, 764, 765, 766, 767, 768, 769, 770, 771, 772, 773, 774, 775, 776, 777, 778, 779, 780, 781, 782, 783, 784, 785, 786, 787, 788, 789, 790, 791, 792, 793, 794, 795, 796, 797, 798, 799, 800, 801, 802, 803, 804, 805, 806, 807, 808, 809, 810, 811, 812, 813, 814, 815, 816, 817, 818, 819, 820, 821, 822, 823, 824, 825, 826, 827, 828, 829, 830, 831, 832, 833, 834, 835, 836, 837, 838, 839, 840, 841, 842, 843, 844, 845, 846, 847, 848, 849, 850, 851, 852, 853, 854, 855, 856, 857, 858, 859, 860, 861, 862, 863, 864, 865, 866, 867, 868, 869, 870, 871, 872, 873, 874, 875, 876, 877, 878, 879, 880, 881, 882, 883, 884, 885, 886, 887, 888, 889, 890, 891, 892, 893, 894, 895, 896, 897, 898, 899, 900, 901, 902, 903, 904, 905, 906, 907, 908, 909, 910, 911, 912, 913, 914, 915, 916, 917, 918, 919, 920, 921, 922, 923, 924, 925, 926, 927, 928, 929, 930, 931, 932, 933, 934, 935, 936, 937, 938, 939, 940, 941, 942, 943, 944, 945, 946, 947, 948, 949, 950, 951, 952, 953, 954, 955, 956, 957, 958, 959, 960, 961, 962, 963, 964, 965, 966, 967, 968, 969, 970, 971, 972, 973, 974, 975, 976, 977, 978, 979, 980, 981, 982, 983, 984, 985, 986, 987, 988, 989, 990, 991, 992, 993, 994, 995, 996, 997, 998, 999, 1000

cracy), 96; (Transitional period), 105; (Gladstone), 107-8; ideal, 228-32; importance of examination of, 213-14, 216; reform of, by S.C. Nat. Ex. ('17-18), 196-209; *see also* Supplementary and Legislation

Estimates Committee (1912), 140-3, 225

— Committees, ideal, 214-20, 221, 222, 223-8; proposed by S.C. Nat. Ex. ('17-18), 188-94; *see also* Select Committees

"Examiner of Estimates," 189, 219

Excess Votes, 218

Exchequer, 25, 63, 149, 151, 201

— Accounts, 201

— and Audit Department Act (1866), 109-10, 146 *n.* (i), 151 *n.* (i), 153, 165 *n.* (i), 173

Executive, *see also* Kings (under their names) and Cabinet; financial control by, 21-2, 181-3, 184; Parliamentary control of, bound up with Parliamentary control of expenditure, 31-2, 34-5, 58, 59, 68, 71, 72, 83-4, 93, 128; relation of, to legislature, 26-7, 72, 93

Expenditure, control of, *see* Financial control; *also* Parliamentary control; criticism of merit of, 45-6, 67-8, 170; rate of, war, 20, 138; *see also* Finances

"Extra-ordinaries," vote for, 96-7

F

Finance Accounts, analysis of, 146, 149-50; beginning of, 95, 103, 104-5; criticism of, 150-2, 161

Finances (revenue and expenditure accounts), (Ed-

ward III), 40-1; (Richard II), 43-5; (Henry IV), 53-5; (Henry V), 55-6; (Henry VI), 56-7; (Tudors), 61-2, 64; (Stuarts), 65, 74-6; (Commonwealth), 69; (William III), 86; (post-Revolution), 94; (Transitional period), 100

Financial control, agencies of, 184, 211; kinds of, 21

— Debate, in House of Commons, 128-39; reform of, by S.C. Nat. Ex. ('17-18), 192-4; ideal, 225-8

Financial policy, *see under* Policy

— Information, quality of, 150-63; quantity of, 144-50; ideal, 228-32; reform of, by S.C. Nat. Ex. ('17-18), 195-209; subsidiary, 164-8

— Procedure, 115-27; ideal, 220-5; reform of, by S.C. Nat. Ex. ('17-18), 185-95

Fortescue, Sir J., 49-51

G

Garnsey, Sir G., 157-8

George I, 92, 98; George III, 92-9 *passim*; George IV, 96

Gibson, Sir H. J., 199

Gladstone, 31, 35, 93, 106-14 *passim*

Government expenditure, as against private, 19-21

Graham, Sir J., 105, 108

Grenville, George, 94

Grievances, redress of, before Supply, 118-19, 126, 221-2

Guy, Mr., 157-8

H

Harris, Sir C., 164 *n.* (i), 167, 200, 204-6, 207, 228

Hatsell, J., 97, 120

Henry II, 33; Henry IV, 43, 46-7, 48-9, 52, 53-5; Henry V, 47, 55-6; Henry VI, 47, 56-7; Henry VII, 59-64 *passim*; Henry VIII, 60-4 *passim*

House of Commons, financial control of, importance of, 22-5, 211; financial functions of, 28, 144-5, 211; *see also* Parliamentary control

Household, King's, 41, 44, 45, 49, 50, 52, 54, 55-6

## I

Ideal Parliamentary control of expenditure, 210-38

## J

James I, 65, 120; James II, 83, 87

## K

King, voting of money to, in rules of procedure, 117, 118, 122, 125, 221; *see also* Crown King, Sir C., 199

## L

Lancastrian Experiment, 46-58  
Legislation, financial forecasts of, 216, 217, 220, 224-5  
Legislature, *see* House of Commons; *also* Parliamentary control  
Lewis, Sir G. C., 108  
London County Council Estimates, 228-9  
Lords, 97; financial disputes of, with Commons, 28, 91

## M

Manchester Corporation Accounts, 228  
Mary I, Queen, 65

Member of Parliament, weakness of position of, 24, 25, 128, 130-2

Ministry of Information, report of S.C. Nat. Ex. ('17-18) on, 180

— of Munitions, estimates and accounts of, 157-8; report of S.C. Nat. Ex. ('17-18) on, 176, 179, 209

Ministerial responsibility, 133-5, 219, 220; ideal, 226-7

Money, mediæval value of, 41 *n.* (i)

— Resolutions, 191, 216-17, 225

## N

National Debt, 20, 86, 150, 151

National Shipyards, report of S.C. Nat. Ex. ('17-18) on, 176

Navy Estimates, 156-7, 231-2

## O

Ordnance Factories Accounts, 110, 149, 159

## P

Parliamentary control of expenditure, character of, 212-13; functions of, *see* House of Commons; importance of, *see* House of Commons; modern (procedure, politics), 115-45 (estimates and accounts), 144-72; origin of, 30-4, 37-8; phases of, 34-5, 83-4, 113-14 (pre-Revolution, characteristic of), 31-2; late Plantagenets, 36-46; Lancastrian experiment, 46-58; Tudor eclipse, 59-64; Stuarts, 64-8, 70-83; Commonwealth, 68-70; Revolution, 85-92; Whig Aristocracy, 92-9; Transitional period, 100-6; Gladstone,

106-14); *see also* Executive and Taxation  
 Parliament and Crown, *see under* Executive  
 Parnell, 130, 131  
 Party system, effects of, on Parliamentary control of expenditure, 133-5, 137; growth of, 128-33  
 Paymaster-General, 108, 221  
 Paymasters, 89, 95, 108  
 Pensions, report of S.C. Nat. Ex. ('17-18) on, 177  
 Pepys, Samuel, 80-1  
 Pitt, Elder, 94; Younger, 97, 99, 100-5  
 Plantagenets, 36-46  
 Policy, consideration of, financial, 136, 141, 185, 186, 188, 218-19, 226  
 Political Science, 26-7  
 Politics, in financial debate, *see under* Financial debate; *also* Party system  
 Post Office, 102, 159  
 Prices and Wages, report of S.C. Nat. Ex. ('17-18) on, 177  
 Private Member, *see* Member of Parliament  
 Procedure, financial, rules of, in House of Commons, *see under* Financial Procedure  
 Public Accounts, *see* Accounts and Appropriation  
 — — — Committee, creation of, 108-10; functions of, 145, 169-72; 213, 225  
 Public Income and Expenditure Account, 51 n. (i)  
 — — — Revenue and Consolidated Fund Charges Act (1854), 146 n. (ii)

R

Representation in Parliament, 27, 33-4, 36  
 Richard II, 35, 37, 41-6

Revenue, *see* Finances; distinction between royal and national, 33-4, 48-51, 85-6, 95-6; *see also* Accounts and Taxation  
 Revenue Departments, accounts of, 108, 110, 111, 140 n. (i)  
 Revolution of 1688, 30, 83, 84, 85-92

S

Select Committee, delegation to, 111, 214-16, 232-4; on Army Estimates (1888), 111, 140 n. (i); on Army and Navy Estimates (1887), 111, 140 n. (i); on Expenditure and Liabilities incurred by Admiralty (1885), 111; on Estimates, *see under* Estimates Committee; on Finance (1797-8), 101-3, 232-3; on National Expenditure (1902), 135-6, 140, 171, 215-16; (1917-18), 20, 173-209, 234; [examination into current expenditure, 174-8; into procedure, 184, 185-95; into public estimates and accounts, 183-4, 195-209; into systems of financial control, 178-83; reports of, *see under* Bank of England, Board of Trade, Bread Subsidy, Ministry of Munitions, Ministry of Information, National Shipyards, Pensions, Prices and Wages, Treasury, War Office; terms of reference, 174, 178, 183-4]; on Navy Estimates (1888), 111, 140 n. (i); on Private Bill Procedure, 125; on Procedure in Grant of Supplies (1888), 139-40, 215; on Public Accounts, *see under* Public Accounts;

- on Public Finance and Expenditure (1828), 103; on Public Monies (1856), 108-9; on Revenue Departments (1888), 111, 140 *n.* (i)
- Smith, Adam, 19, 100
- Store Accounts, 147, 149, 159
- Stuarts, pre-Rebellion, 64-8; Restoration, 70-83
- Supplementary Estimates, 165, 190-1, 218
- Supply, *see* Appropriation
- Committee of, ideal suggested, 220-8; origin of, 123-4; politics in, 132-7; procedure in, 119-22, 126-7; reform of, by S.C. Nat. Ex. ('17-18), 185-94
- Report of, 122-3; abolition of, suggested, 222-3
- Services, 145, 146-7, 161-3

## T

- Taft, ex-President, 210, 211
- Taxation, Parliamentary control of, historical development, 31, 33-4, 35, 48, 65, 66, 68-9, 70, 72; *see also* "Budget" control and Finances
- Taxpayer and House of Commons, 20, 21, 22, 237
- Token Votes, 147 *n.* (i), 190
- Treasury, 72, 211, 236; financial control by, 21-3, 77; powers of virement of, 124, 165 *n.* (i), 208; report of S.C. Nat. Ex. ('17-18) on, 181-3, 194-5

- Treasury Chest Fund, 218
- Tudors, 35, 59-64, 65, 83

## U

- Units of cost, *see* Cost Accounts

## V

- Virement, 121-2, 124, 165, 208
- Vote A, 88, 222
- of want of confidence, 133, 192-3, 227
- Votes on Account, 122, 126-7, 217, 221

## W

- Walpole, 94, 129
- War, effect of, on Parliamentary financial control, 137-9
- War Cabinet, *see* Cabinet
- Office, 149-60, 208, 231; report of S.C. Nat. Ex. ('17-18) on, 175, 179-80; *see also* Army
- Warrants under Royal Sign Manual, 123, 223
- Ways and Means, Committee of, 123, 222; origin of, 123-4
- Welby, Lord, 30, 110-11
- Whig aristocracy, age of, 92-9
- William III, 85-91 *passim*; William IV, 96
- Willoughby, Professor, 21 *n.* (i)
- Wolsey, Cardinal, 61, 119-20

## Y

- Young, Mr. Hilton, M.P., 21 *n.* (i)

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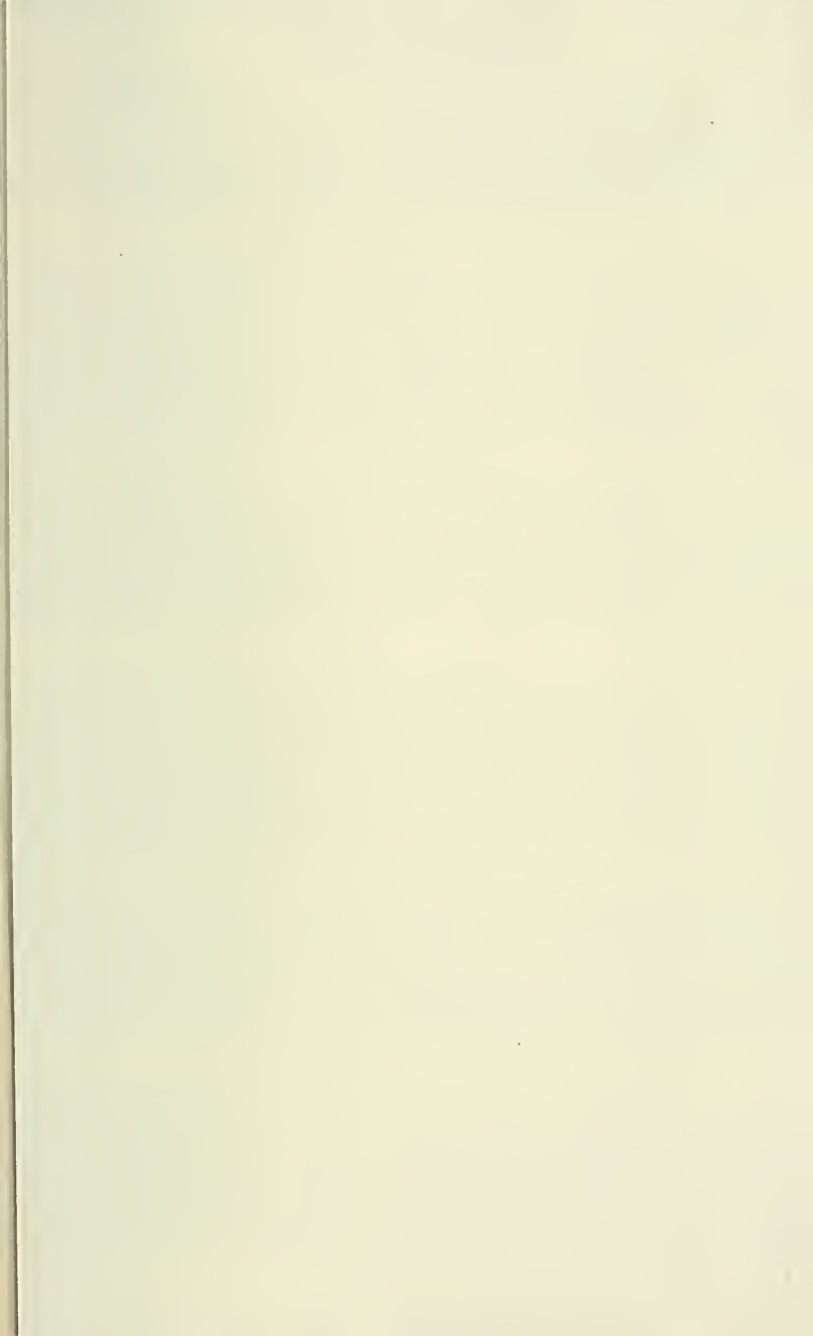
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